

6/15/78

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THE WHITE HOUSE
WASHINGTON

June 15, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

CALLS-- N.Y. FINANCING
LEGISLATION

THE WHITE HOUSE

WASHINGTON

June 14, 1978

Frank
done -
J

MEMORANDUM FOR THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*
FRANK MOORE *F.M./pd*

SUBJECT:

Telephone Calls to Senators McIntyre
and Morgan Regarding New York
Financing Legislation

The Senate Banking Committee will begin its mark-up of the New York financing legislation at 9:00 a.m. Thursday, June 15. We are increasingly optimistic, but the outlook remains volatile for two reasons:

- A majority of the Committee is at least willing to extend the present short-term lending program, but we may lack a firm majority for the long-term guarantees supported by the Administration. The pivotal votes will be members who have not made a final decision between the short-term and long-term approach.
- Over the past day, there has been a nearly unanimous shift among previously undecided members toward long-term guarantees. However, what is emerging as the most serious problem is the strong inclination within the Committee to attach conditions to any guarantee legislation which would "keep the City's feet to the fire." We are working with members to identify such conditions, but this is a precarious process. There is little unanimity among members as to which conditions are appropriate, and certain conditions attractive to members could unhinge the entire financing package by alienating the State, City, unions or banks. The greatest risk now is that the Committee will approve long-term guarantees with overly restrictive conditions.

Intensive consultations are continuing, and we have contacted key Party officials, finance and labor leaders in the States of undecided members to lobby key Senators. The Vice-President is calling Senators Stevenson and Brooke today.

We and Treasury would recommend that you telephone Senators McIntyre and Morgan before the mark-up to seek their support for the Administration's approach. In particular, it would be useful for you to stress the importance of the Committee reporting relatively clean legislation which will not impose "unreasonable" conditions which would unhinge an extremely delicate financing package and upset various agreements negotiated over the past several months. We are certainly amenable to new conditions, but we would hope that the Committee would work closely with the Administration to assure that such conditions do not produce unintended consequences.

In addition to strengthening our position, your involvement will be heavily publicized in New York and will heighten your personal identification with an effort which will probably be victorious and can be a great political victory for the Administration in New York.

Leaving aside the issue of possible restrictive amendments, the Senators are divided as follows on the basic question of long-term guarantees:

<u>+</u>	<u>+?</u>	<u>?</u>	<u>-</u>
Sparkman	McIntyre	Morgan	Tower
Cranston	Stevenson	Lugar	Garn
Williams	Heinz	Brooke	Proxmire
Reigle		Schmitt	

Sarbanes

Attached for your background is a description of the legislation and an analysis of why our long-term approach is preferable to an extension of the Seasonal Financing Act.

BACKGROUND ON THE NEW YORK CITY

FINANCING LEGISLATION

Description of Administration proposal: The Administration supports legislation which would authorize the Secretary of the Treasury to guarantee up to \$2 billion of long-term New York City debt. The length of the guarantees would not exceed 15 years, and guaranteed bonds would be sold only to the City and State pension funds. Treasury anticipates using a part of the proposed guarantee authority, with the remainder for standby purposes only.

Reasons why long-term approach is preferable:

1. Continued seasonal financing might avoid bankruptcy but would not bring the City's budget back into balance, and thus would preclude the City's re-entry into the public markets, and require further federal assistance.

- Under a "worst case" scenario, without guarantees the City's lenders--the pension funds and banks--might be unwilling to purchase further City-related debt, making bankruptcy inevitable. The commitment of the pensions and banks to purchase more unguaranteed debt is presently conditioned on federal participation in the City's long-term financing.
- Under a "best case" scenario, pension and bank purchases plus MAC public sales could raise only \$2.5 billion over four years. The Administration's approach calls for \$4.5 billion in City financing over four years. Half of that \$4.5 billion is for deficit reduction items--i.e., refunding high-interest MAC bonds. Thus reducing the City's total level of borrowing will delay the achievement of a balanced budget, which will delay the City's re-entry into the market and precipitate further requests for federal aid.

2. Guarantees are the best technique for ensuring that the City will be able to sell long-term bonds in the public markets.

- Purchasers of long-term bonds need to be assured that there is a long-term plan for restoring the financial health of the City--not just a short-term plan to avoid imminent bankruptcy.
- Guarantees of City bonds with maturities of up to 15 years will provide the necessary assurance that a credible long-

term plan has been devised. Seasonal loans--which by definition are for a year or less--cannot provide that assurance.

3. Guarantees will permit the City gradually to strengthen its tax base, whereas seasonal loans will result in a gradually deteriorating tax base and lower revenue receipts.

-- We estimate that with guarantees the City will be able to make at least \$1.0 billion more in capital improvements over the next four years than it would be able to do if there were only an extension of the seasonal loan program. This is so because guarantees will enable New York to borrow that much more in the long-term markets. The City estimates that the lower level of capital spending during the four years of the plan would result in a loss of approximately \$300 million in revenue receipts.

4. Guarantees will produce lower debt service for the City and related strengthening of budget and cash flow trends.

-- A guarantee program will permit the City to borrow on longer average maturities and at lower interest rates than would a seasonal loan program.

5. Guarantees are necessary to maximize commitments by private financial institutions and City pension funds.

-- Whether a guarantee program or a seasonal loan program is authorized, the financial institutions and the City pension funds will not purchase all the long-term bonds (\$4.5 billion) that the City and MAC must sell in the next four years to maintain its capital base and refund MAC debt at lower interest rates.

-- However, like the public markets, financial institutions and City pension funds will be more likely to agree to buy long-term City or MAC bonds if they know a long-term plan is in place.

6. Guarantees will avoid requiring City employee pension funds to make unguaranteed loans to the City which are so large as to pose serious risks for the workers and retirees who have assets in the funds.

-- By June 30, 1978 the City employee pension funds are obliged to have loans of \$3.5 billion outstanding to the City and MAC, which would represent 35% of the funds' assets.

-- Maintaining this 35% ratio over the next four years would require these funds to lend another \$2.7 billion, and they would eventually have \$5 billion invested in City-related paper.

- By passing ERISA, and in recent deliberations over P.L. 94-236, Congress has shown deep concern over the risks to individuals, whose assets are in pension funds, posed by investing more than 10% of funds' assets in a single security.

9. It will be possible to ensure discipline over the City as easily through the use of guarantees as through seasonal financing.

- Both the guarantee plan and the seasonal lending plan can include requirements that will ensure fiscally responsible behavior by New York City; e.g., continuation of the Emergency Financial Control Board, and a requirement that the City's budget be balanced. However, the guarantee plan will ensure that these controls will remain effective longer than through a seasonal plan. Treasury and Stu's staff are working with the Committee to determine which additional conditions shall be imposed upon the City.

THE WHITE HOUSE

WASHINGTON

June 15, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

F.M.

SUBJECT:

ADDENDUM - REQUEST TO TELEPHONE SEN. MORGAN

You should use the same line with Sen. Morgan as you used with Senator Nunn--saying Frank Moore told me of your commitment for labor law reform. This will get his attention. Then ask him for long-term financing, and he will give you a yes.

THE PRESIDENT'S SCHEDULE

Thursday - June 15, 1978

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

9:00 Meeting with Congressional Group Concerning
(15 min.) Lifting the Embargo on Turkey. (Mr. Frank
Moore) - The State Dining Room.

9:30 Mr. Roy Bode, Washington Bureau Chief, Dallas
(15 min.) Times Herald. (Mr. Jody Powell) - The Oval Office.

10:00 Meeting with Representatives of the Business
(15 min.) Roundtable. (Mr. Stuart Eizenstat) - Cabinet Room.

10:15 Mr. Jody Powell - The Oval Office.

10:30 DNC Chairman John White. (Mr. Tim Kraft).
(15 min.) The Oval Office.

10:42 Mr. John Ingram, Democratic Candidate for U.S.
(2 min.) Senate (N.Car.) - The Oval Office.

11:00 Meeting with Senator Floyd K. Haskell/Business
(15 min.) and Community Leaders from Denver. (Mr. Frank
Moore) - The Cabinet Room.

11:30 Meeting with Mr. Stuart Eizenstat et al.
(60 min.) The Cabinet Room.

THE WHITE HOUSE
WASHINGTON

June 15, 1978

FOR THE RECORD:

The attached was returned today
from the President and Jim Fallows
was given a copy.

THE WHITE HOUSE

WASHINGTON

June 14, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS *JL*
SUBJECT: Panama Package

Herewith, all the public statements for the Panama trip with the exception of the speech in the Cinco de Mayo plaza, which is being translated into Spanish per your instructions. Specifically:

- an airport arrival statement;
- another version of the remarks at the exchange of instruments ceremony, which is identical with the version you have seen and approved except for a few very minor changes suggested by State;
- a suggested toast, in an appropriately light vein, for the champagne reception at the Presidential Palace;
- talking points for the toast at the state dinner;
- a suggested draft of remarks to the Zonians at the military base, with an explanatory cover memo; and
- an airport departure statement.

Our understanding is that the arrival statement will be translated into Spanish once you have edited it and returned it to us.

We did the dinner toast in the form of talking points, in keeping with previous practice. If you would prefer a text, we will prepare one.

ok
J

PANAMA AIRPORT ARRIVAL

I have looked forward to this trip for a long time. As all of you know, the relations between the United States and Panama have been an important part of my daily work since the day I became President. I have learned a great deal about the history and accomplishments of the Panamanian nation, and about the pride and determination of the Panamanian people. So I don't come to you as a stranger, but as a friend and partner.

Throughout the long negotiations and debate on the Canal treaties, our two nations have been blessed with the continuing encouragement of our friends in the hemisphere. I especially appreciate the fact that the leaders of five Latin American and Caribbean democracies are here in Panama today as a testimony to the significance of this historic transfer.

We meet as neighbors -- some richer, some larger, some with resources vital to the others, each with different needs and problems. But we share the common interest of making our hemisphere free, secure and prosperous. We share the common goal of creating a world where all people may devote their energies to improving human life.

In the years since World War II, much of the earth's geography has been redrawn. Colonial empires have dissolved and new sovereign nations ^{have} been born. The control of many of the passages, both natural and manmade, that connect the earth's lands and seas have shifted from one nation to another. Too much blood, too much strife, too much bitterness, have gone into many of these changes. But transferring control of the Panama Canal continues and strengthens the bond that was forged between our nations in its building. There will be no bloodshed, no bitterness, no moment when the path

between the earth's two great oceans will be closed.

This is a moment of great historic promise.

The nations of our hemisphere are embarking on a new, more equal relationship.

For 75 years the United States and Panama have been friends. Now we will also be partners, setting an example for the world of how nations can resolve their differences peacefully and to their mutual benefit, ensuring rather than endangering the responsible long-term management of an important international resource.

#

ok
J

RATIFICATION CEREMONY STATEMENT

General Torrijos, President Lakas, President
Perez, President Lopez Michelsen, President Lopez Portillo,
President Carazo, Prime Minister Manley, distinguished
guests, and friends --

I want to thank General Torrijos and President
Lakas for their invitation to participate in this ceremony.
I accepted it because I want to dramatize my appreciation
for this achievement -- a firmer, more productive friend-
ship between the United States and Panama, and, more
broadly, a gain for the cause of peace and cooperation
among all nations.

We are honored by the presence of the leaders of
the five democratic countries who gave encouragement and
advice to both sides during the final treaty negotiations.
I am grateful to them -- not only for the serious and
helpful role they played in those days, but also for

their continuing leadership in dealing with such crucial matters as world peace, nuclear non-proliferation, the status of human rights and democratic governments, and better relationships between the developed and the developing countries.

It is now three-quarters of a century since the first spade of earth was turned in the building of the Panama Canal. ^{This} ~~The~~ "path between the seas" ~~as David McCullough has called it,~~ remains one of the greatest and most benevolent creations ever wrought by human labor and human ingenuity. As a neutral artery for the ships of all nations, the Canal has contributed immensely to the peaceful work of the world. The treaties we solemnize today will help perpetuate that peaceful work for many generations to come.

Under the treaties, our two governments join to maintain the neutrality and security of the Canal. At

the same time, we have reaffirmed our commitment to honor national sovereignty and the principle of non-intervention, which is enshrined in the Charters of the Organization of American States and the United Nations.

During the long negotiations, both sides held to a vision of friendship and goodwill. Both sides were determined to build a new relationship of equity and mutual respect. Because of that vision, because of that determination, we were finally able to reach agreement.

Now -- after fourteen years on opposite sides of the bargaining table -- we sit together as partners, equally committed to putting into practice the agreements we have forged.

During the period of transition which lies ahead, the United States and Panama will be working closely together. Both our countries want that transition to be smooth and effective. Under the treaties, both of us

are committed to safeguarding the interests of those Americans and Panamanians who have operated the Canal so efficiently and expertly during its period of American stewardship.

Together, our two countries have set an example of peaceful and successful negotiation that has few parallels in history. We have demonstrated our mutual sincerity and goodwill. In the face of disagreements that were initially very deep, in the face of our vast disparity in size and power, we dealt with each other as equals, and with equal determination to overcome our differences.

During the years ahead we will work as partners to make the promise of the treaties a reality. We still have history to make together.

#

ok for
notes only
J

TOAST AT CHAMPAGNE RECEPTION

It is heartwarming to see so many people who support the treaties. I've arranged for George Gallup to take a poll here.

You were very kind to invite me for this occasion. I brought along a few friends, too. Many of them are U.S. Senators -- if you haven't seen them before, you'll know them by their voices.

Their leadership, courage and perseverance in the Senate brought us here. They distinguished themselves and the United States. They showed us wisdom, imagination and eloquence.

They run on a fast track in the Senate. They only spent 38 days on the treaties. Our negotiators took 14 years. When I came to Washington for a four year term, Henry Kissinger told me the Canal issue would not come up. He explained that Ellsworth Bunker

takes four years just to warm up. Ellsworth worries about having to take early retirement.

Yet at Panamanian urging, the negotiators pressed ahead -- on sailing yachts, in swimming pools and at all hours of the day and night. When I brought Sol Linowitz in they played tennis, too. They negotiated not only Canal issues, but also the sovereign rights, in perpetuity, of Mr. Bunker to Contadora Island and of Mr. Lewis to Mr. Bunker's farm in Vermont. It seems that Mr. Bunker bought his farm from a Frenchman in 1903, so it rightfully belongs to Gabriel.

In truth, I don't know how these remarkable agreements were reached. But the scrutiny they have received attest to their completeness, fairness, and justice. A toast to the negotiators on both sides.

#

THE WHITE HOUSE
WASHINGTON

Notes only
J

June 14, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, ACHSAH NESMITH
SUBJECT: Toast at State Dinner in Panama

1. I knew I was bound to feel at home in a country where the President is called Jimmy and the foreign minister went to the University of Georgia,* but your hospitality has exceeded even my most hopeful expectations. I was very pleased by the kind invitation extended to me from President Lakas and Chief of Government Torrijos. I have welcomed General Torrijos to the United States several times and we have kept in almost constant touch during the past year-and-a half. He was prudent, and gracious during the complex process of negotiation and ratification and did everything possible to speed acceptance of the Treaties.

2. It is a special pleasure, too, that our good friends President Perez of Venezuela, President Michelsen of Columbia, President Lopez Portillo of Mexico, President Carazo of Costa Rica, and Prime Minister Manley of Jamaica join us on this great day. Throughout the long negotiations they have supported our joint efforts in the best tradition of our hemisphere, helping neighbors to resolve problems in peace and goodwill.

We have seen
3. Panama has made much progress in recent years. ~~We have watched the things General Torrijos has been doing~~ to improve the condition of your people. We find much to applaud. ~~He has broadened participation in the economic life of your nation and focused government resources on~~ rural areas and the needs of the poor. *focused* In the last nine years, Panama has invested an increasing amount in education, health and agricultural development. Primary education has been made available to even the poorest; secondary school enrollment grew by 80 per cent in a single three-year period; the number of teachers has substantially increased. Less than half the population had running water in 1960. You are now well on your way toward the goal of bringing piped water to 85 per cent of your people by 1980.

* Graduate Degree in Economics, 1968.

4. I grew up on a farm where for a long time we had no running water. I know what it means to a rural family to be able to turn on a faucet and have running water for the first time. I was the first male in my father's family to complete secondary school and go on to college. I know how important a good school is to a young person growing up on an isolated farm. General Torrijos is right to have placed such a great emphasis on education -- he has said he hopes to substitute what he calls "the classroom struggle" for the class struggle. These changes will transform the lives of the people of Panama. They will create a brighter future for your nation, and for your children.

5. The world these children inherit will be very different from the one we live in today, just as ours is very different from the world of 1903 when the old treaty was signed, or even the world of 1964 when President Robles and President Johnson agreed to begin negotiating a new agreement. These Treaties concluded today are in keeping with this changing world:

- They make clear the U.S. commitment to respect Panama's political independence and not to interfere in Panama's internal affairs;

- They end the existence of the Canal Zone while providing for protection of the interests of those who have made their homes in the Zone, in some cases for generations;

- They provide for Panamanian partnership in the management of the Canal;

- They set a date, Dec. 31, 1999, for the termination of the U.S. presence in Panama;

- They assure Panama a fair return from the Canal enterprise on its territory;

- They protect the vital interests of both our countries in a secure, accessible and efficiently operated Canal.

6. I raise my glass to toast General Torrijos, whose determination never wavered;

- and to President Lakas, whose persuasiveness in the cause of Panama was so important to ratifying the Treaties;

-- and to the people of Panama, who supported their steadfast commitment to an equal partnership that befitted the times;

-- and to the heads of state representing the great democracies of Latin America and the Caribbean, who sustained us in our efforts.

7. Let us toast our future together, and the future of a world in which all nations, large and small, can live together as good neighbors in peace and friendship.

#

G. Smith
6/14/78

ok
J

PUBLIC ADDRESS IN THE PANAMA CANAL ZONE

A few months ago, as I was visiting with David McCulloch, the author of The Path Between the Seas, I began to sense his enthusiasm for the extraordinary engineering achievement the Panama Canal represents. I have been looking forward to this chance to visit Fort Clayton and Miraflores Locks so I could see first-hand the professionalism *dedication* and ~~know-how~~ that make this Canal work and keep it secure.

I am very proud of those of you who belong to the various military components of the Southern Command. Through a long and difficult period, you have maintained at a very high level your preparedness for the defense of the Canal and for the protection of American lives and property. Many of you have one of the toughest jobs in the military: spending the major part of your tours of duty in the jungles and water areas of the Canal Zone. But it is your efforts/ and your training that have kept

Americans assured of our strength and security here.

Those of you who are civilians, both Americans
and Panamanians, have contributed immeasurably to the
operation of the Canal. My life would be easier ~~in~~
if every government
~~Washington if I could depend on every Federal employe~~
showed
~~to show~~ the same consistent combination of efficiency
and talent as your group does. *always do your*
~~You've done your~~ job,
you do
and ~~you've done~~ it well.

For many years, the legal arrangements governing
the Panama Canal and the Zone have been a source of
contention between the United States and Panama. Most
people who looked at the situation agreed that some
change, of some kind, was called for. I think most of
you in the Canal Zone, civilians included, agree with
that. We disagreed not about whether there should be
changes, but about what those changes ought to be.

I know each of you ~~in your own way~~ has ~~felt~~ *known*
you were defending American interests ~~down~~ here, and I

respect your convictions and your spirit and your loyalty
to your country even though *we did not always* ~~I did not necessarily share~~
agree your judgment about the best course to take.

The Senate has acted, and
the Treaties are now a fact, ~~and~~ I am not here
to justify them, to try to persuade you to change your
minds, to argue, or to suggest that if you just understood
the Treaties better, you would like them. *I know that*
^ you do under-
stand them, because for you they are not just a *distant and impersonal* foreign
policy, abstraction, but something that alters your lives
in a direct and immediate way.

You know, as I do, that a great deal will change
as a result of these Treaties.

Some of you will be leaving the only place on
earth you have ever called home. That is a hard and
painful thing to do. ~~Some of you will be moving the~~
~~graves of your parents and grandparents so that they~~
~~can remain in American cemeteries.~~ In the years to come,

you will certainly part company with many of your neighbors and closest friends. The Canal Zone is a true community -- yours for many generations --, and the adjustments and uncertainties you now face will not be easy.

I understand that. I understand, too, that you love this place. That is evident not only from what you say but in what you do. The care and affection which you ~~have~~ continued to show in the operation of the Canal is *of the deep feeling which you and* clear evidence ~~that it will spiritually belong to you and~~ *The American people have for the Canal.* ~~your children always.~~

here
So I came today not to win you over to *the decision* ~~my point of~~ *made by me and the Congress,* ~~view,~~ but because there ~~is one~~ *are two* things I very much want to say:

The American people and I appreciate what you
~~I came because I care what happens to you.~~
are doing here.

people and I
~~The Americans~~ *care* what happens to you.

~~Some of you may have begun to doubt that.~~ In the millions of words spoken and written about the Treaties, *our appreciation and concern have not been* ~~that one simple truth appears to have gotten lost in the~~ *clearly expressed.*

~~shuffle.~~

I am concerned that our government may have left the impression that we are casting you adrift, unmindful of the work you have done and indifferent to your well-being. The most important thing I can tell you today is that this is not so. I regret it has too often seemed that way.

A few subordinate American officials, in trying to advance what they quite correctly consider to be our country's fundamental interests in Latin America, have sometimes appeared to cast you in the role of the "enemy."

You are not the "enemy." You are us, whether we agree or disagree, and your country and your government will honor its solemn obligation to you.

demonstrate these sentiments

We have tried to [^]~~fulfill this obligation~~ in the
Treaties as well as in the separate agreements and
annexes. We will continue to do so in the enabling
legislation. To the limit of our ability in an
international agreement, our negotiations with Panama
have sought to secure your rights and your welfare
and your safety and your peace of mind.

For example, we have tried to preserve during the
life of the Treaty as many as possible of the civil
liberties that Americans cherish. The Agreements
implementing ~~Articles III and IV of~~ the Panama Canal
Treaty set forth the terms of criminal jurisdiction and
procedural guarantees in elaborate detail. These are
exceptional statements that reflect the deepest values we
hold as a free people. They take account of your needs.
We regard them as a fundamental part of our agreement
with Panama, ~~not as mere window-dressing.~~

To ensure that they will be respected, I have done
two things:

First, I made a point of reminding ^{the Panamanian} ~~General Torrijos~~
^{Officials} yesterday of the importance we attach to them. ~~The~~
^{Everyone} ~~General~~ understands that we want to enter upon a new era
of harmonious cooperation and good will between the
people of Panama and the Americans associated with the
Canal, and that there is no room for ~~vindictiveness or~~ bad
faith in that relationship. It requires a hospitable
and cordial attitude not only on ^{our} ~~your~~ part, but on Panama's
as well. We expect Panama to show strict regard for all
its responsibilities toward you -- and this is just as
true for those of you who are dual nationals.

Second, to make sure that your voice is heard in
the future, I am appointing an ombudsman, or special
representative, whose function will be to assist any
Americans associated with the Canal who feel that their
rights under the new Treaty are being infringed in any way.

He will be authorized to investigate all alleged violations
and when necessary, speak on your behalf.7

We have also tried to carry out our obligation to
you by ensuring that the terms and conditions of your
employment will generally stay the same when the Treaty
goes into effect. We know that the circumstances under
which you work matter a great deal, as do good schools,
medical care, and other services. These have not been
neglected in the negotiations.

According to the Treaties, the Canal will increasingly
be a place of Panamanian employment. Some of you will
leave very soon; others can remain longer. I hope that all
of you will help make this transition as smooth as possible.

I would like to say a few words to those of you
who will stay and continue to work here.
~~whose jobs will be preserved and who are eligible to stay.~~

Many of you are skeptical about your future here. I would not ask you to stay and be unhappy. I would ask you -- and I am asking you -- to give the new arrangement a fair chance. Approach it with an open mind.

We ~~do~~ need your skills, but that is not the only thing I am thinking of. I know that you ^{have not been} ~~are not~~ like most Americans who have chosen to live overseas. By living in the Canal Zone, you have had the advantages of an American social environment and the benefits of American law. ~~This ~~is not~~ Some of this will change,~~
~~You may not want to give these up. There~~
~~is nothing wrong with feeling that way. But you may~~
~~find that the changes here will not turn out to be as~~
~~unsatisfactory as you imagine.~~ *We will do everything possible to insure a good life for you here.*

If, after giving things a fair chance, you are convinced that you and your family simply cannot lead the life you want here, the American government will give you unstinting support in your decision to relocate to the United States. We don't want to keep you here

~~against your will or hold you hostage.~~ We are trying --
and we hope you will help us succeed -- to bring about a
successful new chapter in the history of the Canal that
you have *managed and cared* ~~loved and benefitted~~ for so long.

You have brought credit to yourselves and your
country by operating the Canal efficiently, honestly, and
honorably for the benefit of all nations. The time when
this was America's job alone is now coming to an end.
The Treaties reflect that time, and in so doing, they help
guarantee that the rest of the world will recognize our
essential fairness and decency as a people.

Ultimately the future of this waterway will
depend on the ability and resourcefulness of the people
of Panama, and upon their government's good faith in
carrying out its treaty responsibilities -- to the users
of the Canal, to our country, and to you. I know that
someday they will join us in looking back, with admiration
and respect, at the dedication and devotion of the

thousands of employees, American and Panamanian, who
and continue to make
made the Canal one of the supreme human achievements
of all time.

#

*Not
needed*

STATEMENT ON DEPARTURE AT TOCUMEN AIRPORT

My stay in Panama has been brief. But the past two days have been full of promise.

We have opened a new era of partnership between the United States and Panama. We have put the seal on agreements that were a decade and a half in the making -- agreements that eliminate the injustices of the past and establish the framework for the Panama Canal to continue serving world commerce for generations to come.

I deeply appreciate the warm hospitality of our Panamanian hosts. General Torrijos, President Lakas, and the Panamanian people have shown us every courtesy. The sincere good will which we have felt here gives promise that the partnership between Panama and the United States under the new treaties will be a cooperative and productive one.

The events of the past two days should make
all of my fellow countrymen proud:

-- Proud that we have dealt fairly with a loyal
friend.

-- Proud, once again, of the role our country
has played in developing the great international public
utility that is the Panama Canal.

-- Proud that in cooperation with Panama we
have set an example of how nations can settle their
differences peacefully and in a spirit of mutual respect.

These two days have also been of deep significance
for the Hemisphere as a whole. The presence here in
Panama of leaders from Latin American and Caribbean
democracies underscores our shared commitment to cooperation
among the nations of the Americas on the basis of sovereign
equality. In the years to come we will work together
to carry out that commitment, and, through it, to foster

the economic and social well-being of our people and
advance the cause of democracy and individual rights.

#

9:00 AM

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FOR THE PRESIDENT

FROM GRETCHEN POSTON

DATE: 14 June 1978

SUBJECT: BREAKFAST/MEETING WITH CONGRESSIONAL MEMBERS
15 June 1978 8:15 A.M.

SCENARIO

8:15 A.M. Guests arrive NW/SW Gates and proceed to State Dining Room.

(E-shaped table opening north.)

(Table cards for head table.)

(10 staff chairs in NW corner of room.)

Breakfast is served.

8:30 A.M. At completion of breakfast, meeting begins.

9:00 A.M. The PRESIDENT arrives State floor - to microphone at center of head table (along south wall) for remarks.

(Press coverage of remarks.)

9:15 A.M. The PRESIDENT departs State Dining Room.

All guests depart Residence.

Seating at head table: pending.

9:00 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH CONGRESSMEN ON TURKEY/GREECE

Thursday, June 15
9:00 a.m. (15 minutes)
State Dining Room

From: Frank Moore *S.M. / pd*

I. PURPOSE

To explain to the 50 Congressmen your own deep commitment to lifting the Turkish embargo.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: This is the first of the two meetings with uncommitted Congressmen you discussed with last week's group of Senators and Congressmen. (Congressmen Hamilton, Solarz, and Findley will be in attendance also.)

This group is composed of approximately 30 Democrats and 20 Republicans undecided or leaning against lifting the embargo, according to our canvassing and that of their colleagues. Most of them have little experience in foreign policy and know very little about your Eastern Mediterranean proposals.

When you enter, the group will have been briefed for one-half hour by Secretary Brown, Warren Christopher, and General Allen.

B. Participants:

Rep. Joseph Ammerman (D-Pa.)
Rep. Glenn Anderson (D-Cal.)
Rep. Ike Andrews (D-N.C.)
Rep. Max Baucus (D-Montana)
Rep. David Bonior (D-Michigan)
Rep. Garry Brown (R-Michigan)
Rep. Clarence Brown (R-Ohio)
Rep. Charles Carney (D-Ohio)
Rep. Thomas Coleman (R-Missouri)
Rep. Thomas Corcoran (R-Illinois)
Rep. David Cornwell (D-Indiana)
Rep. Lawrence Coughlin (R-Pa.)

Rep. Norman Dicks (D-Wash.)
 Rep. Mickey Edwards (R-Okla.)
 Rep. David Emery (R-Maine)
 Rep. Billy Lee Evans (D-Georgia)
 Rep. Paul Findley (R-Ill.)
 Rep. Hamilton Fish (R-N.Y.)
 Rep. Ronnie Flippo (D-Alabama)
 Rep. Harold Ford (D-Tenn.)
 Rep. Lee Hamilton (D-Ind.)
 Rep. W.G. Hefner (D-N.C.)
 Rep. Cecil Heftel (D-Hawaii)
 Rep. Thomas Huckaby (D-La.)
 Rep. Barbara Jordan (D-Texas)
 Rep. Richard Kelly (R-Florida)
 Rep. Peter Kostmayer (D-Pa.)
 Rep. Robert Lagomarsino (R-Cal.)
 Rep. Raymond Lederer (D-Pa.)
 Rep. Norman Lent (R-N.Y.)
 Rep. Robert Livingston (R-La.)
 Rep. Marilyn Lloyd (D-Tenn.)
 Rep. Thomas Luken (D-Ohio)
 Rep. Stanley Lundine (D-N.Y.)
 Rep. Robert McClory (R-Ill.)
 Rep. Matthew McHugh (D-N.Y.)
 Rep. Ron Marlenee (R-Montana)
 Rep. William Moorehead (D-Pa.)
 Rep. Nick Rahall (D-W. Va.)
 Rep. Thomas Railsback (R-Ill.)
 Rep. Harold Sawyer (R-Mich.)
 Rep. James Scheuer (D-N.Y.)
 Rep. Philip Sharp (D-Ind.)
 Rep. Floyd Spence (R-S.C.)
 Rep. Bruce Vento (D-Minn.)
 Rep. Harold Volkmer (D-Mo.)
 Rep. Doug Walgren (D-Pa.)
 Rep. Robert Walker (R-Pa.)
 Rep. John Wydler (R-N.Y.)
 Rep. Robert Young (D-Mo.)
 Rep. Stephen Solarz (D-N.Y.)

Secretary Brown, Acting Secretary Christopher,
 General Allen, and Clark Clifford available to
 answer questions.

State: Doug Bennet and Nelson Ledsky

DoD: Jack Stempler

WH/NSC Staff: Anne Wexler, Vicki Mongiardo, Bob Beckel
 Madeleine Albright, Paul Henze

- C. Press Plan: Brief photo session with open mikes when you arrive. White House press photographer

III. TALKING POINTS

1. The Eastern Mediterranean initiative is the most immediate and urgent foreign policy priority on the current legislative agenda.
2. The proposals are designed to break the impasse which is (a) frustrating progress on the Cyprus problem; (b) straining relations with two valued allies, Greece and Turkey; and (c) contributing to the serious deterioration of U.S. and NATO security interests in the Eastern Mediterranean.
3. It is my conviction that the embargo is no longer useful and must be lifted.
4. We have been working systematically to contact all House and Senate members and are holding extensive briefings for members of your staffs.
5. We have also been explaining our program to the public. I pointed out the importance of the issue at my press conference yesterday. I am planning to have a meeting next week with leaders of the Greek-American community, and members of the Greek-American press. If you have a Greek-American constituency in your district, Anne Wexler would be happy to have the name of a leader to invite to this meeting.

11:00

THE WHITE HOUSE

WASHINGTON

June 15, 1978

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Mr. President,

We have more detail now on your 11:00 a.m. meeting with Haskell's Jewish leaders. They will be interested primarily in human rights' issues - Jewish emigration from the Soviet Union especially. They will no doubt explain to you a plan they have initiated for adoption of Soviet Jewish children to facilitate emigration.

One of the participants, Arnold Zaler, is the head of a foundation seeking a final \$75,000 for construction of a \$770,000 park memorializing the victims of the Babi Yar massacre. Secretary Andrus from Interior is working on the problem. Haskell's office asked Mr. Zaler not to discuss the park with you. However, he may mention it anyway.

Bob Thomson

10:42 AM

THE WHITE HOUSE
WASHINGTON

C

MEETING WITH JOHN INGRAM (SENATE CANDIDATE, NORTH CAROLINA)

Thursday, June 15, 1978
10:42 a.m. (3 minutes)
The Oval Office

FROM: FRANK MOORE

F.M./er

I. PURPOSE

To have the candidate and his wife meet the President and take a photo for use in campaign materials.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: John Ingram recently converted a first-primary loss of 14 points to a second-primary triumph by unexpectedly defeating Luther Hodges, Jr. in a hotly-contested runoff in North Carolina. (Ingram won 54.2% of the vote; Hodges only 45.8%). Ingram will face incumbent Senator Jesse Helms in November.

Ingram, 47, is a lawyer, former state Representative, and current State Insurance Commissioner. His five years in office and the continuous attention he has received in his well-publicized crusade against the insurance industry have helped him develop strong name-recognition in the state. He ran on independent, anti-establishment, populist themes, portraying himself as the candidate of the "people," in contrast with Hodges, whom he characterized as the candidate of the rich and special interests. His campaign slogan was "I'm fighting for you."

Ingram appealed to lower and middle class voters who are discontent with big government and big business. His popularity with these people could cut into Helms' strength, particularly in the eastern rural part of the state.

Despite the Democrats' 3 to 1 registration edge in the state, Ingram will have a hard time defeating Helms. As an articulate voice of the right wing, Helms has received national attention on such issues as the Panama Canal treaties, abortion, and busing. He is receiving considerable financial support from national conservative groups. Ingram, who hopes to continue using his earlier populist themes, will have

page two

to articulate positions on a wider variety of specific issues in order to avoid being called a one-issue candidate. Ingram's poor organization during the primary was well-known and could be a serious problem if not improved.

B. Participants: John Ingram, his wife (Ginny), the President

C. Press Plan: White House photographer

III. TALKING POINTS

- A. You may want to mention the unexpected upset of Hodges in the primary.
- B. Ingram's populist sentiments bear some resemblance to many of your own campaign themes.
- C. Ingram has been viewed as an "outsider" in Democratic establishment ranks in North Carolina; he had been displeased at what he perceived as Administration involvement in his campaign and runoff. (Secretary Kreps had made a statement in support of Hodges). You will want to stress the importance of party unity. You will also want to encourage Ingram to work closely with the party to improve and strengthen his own organization.

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

9
1

June 14, 1978

CHARLES L. SCHULTZE, CHAIRMAN
LYLE E. GRAMLEY
WILLIAM D. NORDHAUS

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

From: Lyle E. Gramley *Lg 97*

Subject: Industrial Production in May

The Federal Reserve Board will release its estimate of industrial production in May tomorrow (Thursday, June 15) at 9:00 A.M. The news is basically good.

Total industrial production rose 0.6 percent in May, following an upward revised gain of 1.4 percent in April. Increases in industrial output in March and April were very large, as producers were making up for production losses in January and February. Some reduction in the rate of growth was therefore inevitable. The May increase actually turned out to be larger than we had expected, based on employment data for the month.

Output rose more last month for industrial materials than for final products, as was the case in April. When this happens, it sometimes implies a buildup of materials inventories that may be undesired. In this case, however, it appears to reflect a desired rebuilding of coal inventories, and a shift by steel users from imports to domestic sources as a result of the trigger prices.

9:30 AM

THE WHITE HOUSE
WASHINGTON

June 14, 1978

MEMORANDUM FOR THE PRESIDENT

From: Jody Powell
Walt Wurfel *W*

Re : Your Interview with Dallas Times Herald

This 15-minute interview at 9:30 a.m. Thursday is with bureau chief Roy Bode and reporters Paul West and Bob Dudney. A White House photographer will be present for a few minutes.

Their story, and excerpts from the transcript, will be published on Sunday, June 18. The story will be made available to the Los Angeles Times, which now owns the Times Herald. As you know, Tom Johnson has left the Times Herald and is now President of the Los Angeles Times.

Dudney wrote a story earlier this month reporting on allegations that Idi Amin has issued diplomatic passports to 27 Palestinian extremists. The story said that Rep. James Mattox (D-Tex.) has asked you to request a formal explanation from Amin. A proposed reply drafted in NSC is attached.

Recent editorials from the Times Herald have:

- Praised the Vice President's speech to the world disarmament conference;
- Criticized hospital cost containment for adding to bureaucratic red tape;
- Stated that there will be little Middle East peace progress until Begin changes his hardline stance or is replaced by another leader;
- Commended your order for a spending crackdown in fiscal 1980;
- Supported as "the best compromise" your sugar subsidy plan, largely because it will "have the least impact on inflation";
- Praised your "new toughness toward Russian expansionism... in African affairs," which should lean to "sharper bargaining with Russia on Salt II." And: "It is encouraging that the President is seeing the Soviet threat more clearly than he did in the early days of his term";
- Noted "Western policy must not be white troops in Africa, but allied African troops getting all the help they need to counter the Cubans and Soviets".

THE WHITE HOUSE

WASHINGTON

Dear Congressman Mattox:

Thank you very much for your letter to the President of May 29 forwarding the list of Palestinians holding Ugandan passports. Like you, I cannot tell if it is genuine, but I will ensure that it is passed on to the appropriate elements of the government who can best evaluate and make use of it.

We very much appreciate your help; the President and I share your deep concern over the terrorist problem and anything that can be done to mitigate it could result in the saving of lives.

Sincerely,

Zbigniew Brzezinski

The Honorable Jim Mattox
U.S. House of Representatives
Washington, D.C. 20515

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

10:30

C

June 15, '78

Mr. President:

The attached article which you've probably read is a little strident and unrealistic --- but it is entirely accurate about the lack of any visibility in the field.

John White has a genuine problem in trying to meet each payroll. But we have a difference of opinion on how to plan to use a rough net of \$650,000 that is projected for the Houston dinner.

For the first \$100,000, I concur with John's recommendation that 20 Congressional candidates get \$5,000 apiece from the DNC. That helps Frank and John on the Hill.

Beyond that, John has a sort of vague intention of sending varying amounts out to State parties for voter registration and get-out-the-vote drives.

I frankly don't think that giving money to State Chairmen does us much good, or generates much DNC visibility. Not a whole lot of people would hear about it, and they wouldn't think it was enough anyway.

I would rather see the DNC put a lean field organization to work along the lines of a good plan that their staff has drawn up; and, to sponsor, with some ballyhoo, a Campaign Program that utilizes a lot of professional consulting help from around here to visit campaigns on request, and assist in technical, organizational ways.

John thinks the latter is a particular waste. But several of us here (including Frank and Hamilton) see this as a way to send out some pros who can encourage the candidate to campaign for your programs (on which they'll be well briefed), as opposed to running against you.

If you could steer our brief discussion into this general direction today, it might be helpful.

TK TK

David S. Broder

A Neglected Democratic Party

In organizational, financial and political terms, the White House and the Democratic National Committee are about one year behind in their preparations for the midterm election.

They are lagging largely because of the past inattention from the president and his political aides—an oversight they are now making haste to correct. But their exertions, it became clear at last week's meetings of Democratic Party leaders in Washington, are coming too late to let Jimmy Carter and his agents make much of a positive contribution to the November campaigns.

At this stage, about all Carter can do is try to ease some of the frustrations party leaders have felt with him—and then hope that the candidates' independent resources, which are considerable, will enable them to survive.

The record of past neglect is positively awesome. Last week, 17 months after Carter took office, the White House finally got around to the basic political courtesy of having the Democratic state chairmen and national committee members in for a drink and a chat. The gratitude those officials expressed for such small favors as a personal photograph with the president and a quick question-and-answer ses-

sion with some of his aides shows how needless was the past year's negligence.

"We should have done this a year ago," said Tim Kraft, the newly designated presidential assistant for party affairs. But a year ago, able politician Kraft was managing Carter's personal schedule, and neither he nor anyone else on the senior staff could be bothered with anything having to do with the Democratic Party.

While the simple act of socializing quieted many of the past complaints from party officials, other damages from the lost year cannot be repaired so easily. The national Democratic Party is broke—saddled with a \$57,000-a-month payment on past debts, still forced into short-term borrowing to meet its monthly \$62,000 payroll and rent. Its plans to build a solid financial base by repeated direct-mail prospecting for small contributors have been stymied by the incessant need for quick cash. Its corps of generous Jewish contributors has been thinned by distrust of the administration's Mideast policies.

Organizationally, the national committee is nowhere. Its field organization is nonexistent. Major Democratic campaigns around the country are unable to find experienced managers, in part be-

cause the party has done little to train such managers since Carter took office.

The people whom Carter named in 1977 to run the party—and then left to sink or swim on their own—have all departed, unmourned. The new leaders—John C. White as chairman, Evan Dobelle and Charles Manatt in fund-raising, and Dan Horgan in campaign organization—may be better qualified than what Horgan calls the "B-team" they replaced.

But all four are new to their responsibilities and struggling to find their footing. Horgan hopes to have the start of a field organization in place by September. Dobelle hopes to clear the debt by next June. But both are aware that these long-term efforts are much too late to help in 1978.

Fortunately for the Democrats, their officeholders have not been waiting for the laggard White House and Democratic National Committee. Democratic incumbents (three-fourths of the governors, two-thirds of the representatives, and three-fifths of the senators) are doing just fine, thank you, in using the advantage of office to build their own campaign treasuries and personal campaign organizations.

Most of them have also taken the pre-

caution of separating themselves from those Carter policies that are poison in their states and districts. Only one incumbent Democratic senator whose seat was up this year supported Carter on both the Panama Canal treaties and the Mideast jet-sales package. That man, Sen. Paul Hatfield, was defeated last week in the Montana Democratic primary. His loss will confirm the determination of other Democrats running this year to go their own way, regardless of Carter's wishes.

By financing and organizing their own campaigns and taking their own policy stands, incumbent Democrats may survive. But even a good showing by the party in the midterm election would not necessarily help Carter.

Because of the past year's neglect, Carter now faces a heads-I-lose, tails-you-win situation. A Democratic midterm victory to which the White House contributed little would only tend to increase the political independence of those reelected governors and members of Congress. A serious defeat would inevitably bring severe scapegoating of Carter and his policies.

Either way, the neglect of party affairs the past year will exact a price from the president.

10:00 AM

THE WHITE HOUSE
WASHINGTON

Sen Thomas Goodrich
Jim Evans UnPacific
Irving Shapiro

MEETING WITH BUSINESS ROUNDTABLE

Thursday, June 15, 1978
10:00 a.m. (15 minutes)
Roosevelt Room

From: Stu Eizenstat
Kathy Fletcher

Sh

I. PURPOSE

The Business Roundtable asked for this meeting to discuss their view that environmental requirements create constraints on meeting energy and economic goals.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Irving Shapiro, Chairman of the Business Roundtable, wrote to you in March requesting this meeting. He provided a briefing memorandum which details their view of energy/environment conflicts and makes several recommendations:

1. Creation of a Cabinet-level "screening team" to coordinate and expedite energy-related government decisions on major energy projects;
2. Presidential directives to the Secretary of Interior to stick to his announced timetable for coal leasing and to review his position on the Outer Continental Shelf legislation and regulations (which they believe will cause delays);
3. A Presidential directive to the Environmental Protection Agency to encourage use of low sulfur coal in its regulations under the Clean Air Act;
4. A directive to the Chairman of the Council on Environmental Quality to set tight environmental impact statement deadlines for major energy projects; and

5. Creation of a national mediation center to resolve energy/environmental conflicts.

They also supplied a chart of examples of alleged government delays of power plants. However, it appears that their examples exaggerate the facts considerably.

B. Participants: Irving Shapiro, Dupont: James Evans, Union Pacific; O. Pendleton Thomas, Goodrich. Staff: Stu Eizenstat.

C. Press Plan: White House photo only.

III. TALKING POINTS

- Thank you very much for the detailed briefing material in preparation for the meeting.
- I share your concern for coordinated and timely decision-making. I favor prompt but careful decisions. I think we are making progress in this area.
- I believe our energy goals can be met while protecting the environment. But in some cases, such as a proposed power plant right next to a National Park, it may be necessary to utilize another site. This does not jeopardize our energy goals as long as energy planning takes account of environmental protection needs. At the same time, decisions must be prompt and based on solid information.
- Some of the recommendations the Roundtable has made go in the same direction as the Administration is already moving. Specific reactions:
 - Expediting energy decisions with a Cabinet-level coordinating body. Secretary Schlesinger, Secretary Andrus and Doug Costle already are working together on these decisions. We are attempting to do better; for example, the nuclear licensing bill is designed to help expedite the process. OMB is also setting up a system to track coal-fired power plant decisions.

- Coal leasing. The Secretary has settled the lawsuit which halted coal leasing and is on a tight schedule to come up with a new program. In the meantime, leasing is allowed in specific, necessary situations. He fully intends to meet his schedule.
- Outer Continental Shelf legislation. We agree that OCS development should move forward and have issued a number of leases in the past year. We think that the pending legislation will not cause delays and in some cases may actually speed the process by reducing litigation such as the case brought in New England a few months ago.
- Clean Air regulations. These have not been promulgated, but it is essential that the best available control technology requirement for sulfur removal is met. EPA is working with Charles Schultze, DOE and others to make sure that the regulations are cost-effective. Proposed regulations will be issued in about 2 months. [The issue is whether full scrubbing will be required for all coal -- a very controversial issue. The Administration did support the "best available control technology" in the Clean Air Amendments.]
- Deadlines for completion of environmental impact statements (EIS). As the Business Roundtable recommends, the Council on Environmental Quality is promulgating EIS regulations which would allow any applicant to obtain a firm decision deadline at the beginning of the EIS process. In addition, these regulations will require short, concise EIS's relevant to the decision process. The regulations will also help coordinate all the necessary environmental reviews.
- Mediation of environmental/energy disputes. EPA, Interior and CEQ are examining this concept and feel it has real promise. They would be happy to receive additional thoughts from the Roundtable. The need for legislation is not yet clear, however.

- I'd also like to urge that the Business Roundtable take the initiative in encouraging the energy industry to take environmental concerns into account early in their planning so that difficult disputes do not arise so often at the last minute.

NOTE: The Business Roundtable representatives may complain about the recent EPA decision to deny a permit to the Colstrip power plant in Montana because air quality on the Northern Cheyenne Indian Reservation would be degraded. This decision was made in strict accordance with the law, after extensive work by EPA. The Reservation was designated Class I at the tribe's request under the "prevention of significant deterioration" provisions of the Clean Air Act. The data showed that EPA had no choice but to make that decision.

You might also mention that the regulatory analysis process under Charlie Schultze is moving into high gear and that the work done on the cotton dust standard is an example of insuring that the most effective regulations are promulgated.

11:00 AM

THE WHITE HOUSE

WASHINGTON

June 14, 1978

MEETING WITH SENATOR FLOYD HASKELL
AND FOUR BUSINESS AND
COMMUNITY LEADERS FROM
DENVER, COLORADO

Thursday, June 15, 1978

11:00 a.m. (15 minutes)

The Cabinet Room

From: Frank Moore *f.m./pd.*

I. PURPOSE

To discuss their concerns about human rights and Jewish emigration from Eastern Europe and the Soviet Union.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: This group was tentatively scheduled to meet with you during your recent trip to Colorado, but due to your demanding schedule, the meeting was not able to take place. The group represents the Rocky Mountain Jewish Community which is very important to Senator Haskell in his reelection bid. They feel isolated and left out of communications between the Administration and eastern-based Jewish organizations.

B. Participants: The President, Senator Haskell, Robert Loup, Keith Schwayder, Helen Ginsburg, Arnold Zaler, Holmes Brown (the Senator's staff person), Frank Moore, Bob Thomson and Madeline Albright.

C. Press Plan: White House photo only.

III. TALKING POINTS

Attached are talking points prepared by the National Security Council for your use during this meeting.

IV. ADDITIONAL INFORMATION

Senator Haskell is not married. He presently serves on the following committees:

Committee on Energy and Natural Resources
Public Lands and Resources
Energy Production and Supply, Chairman
Energy Conservation and Regulation

Committee on Finance
Taxation and Debt Management Generally
Social Security
Administration of the Internal Revenue Code, Chairman

The following talking points relate to key areas of interest in the Middle East:

Peace Efforts

-- Our principal objective at the present time is to re-establish the momentum of peace talks. We must not allow the chance for peace to slip from our grasp.

-- We are presently consulting intensively with both Israel and Egypt.

-- In the very near future we are expecting answers from the Israeli cabinet to questions Secretary Vance discussed at length here with Prime Minister Begin and Foreign Minister Dayan about concrete ways how to move those negotiations forward.

-- We are also intensively exploring with President Sadat how he might contribute his own ideas to finding a way out of the current impasse over the Palestinian issue.

-- Our role as middlemen has been to help both parties in clarifying and adjusting their respective perceptions of a practical approach to the negotiations, so that they can return to the bargaining table.

-- We hope to see real progress again within the next few weeks.

Lebanon

-- The conflict in Lebanon has been a sore point in Arab-Israeli relations and has complicated the negotiating process.

-- We are pleased that Israel has withdrawn its forces from south Lebanon exactly on schedule.

-- In general, the delicate problem of transferring authority from Israeli forces back to Lebanese authority through the good offices of the United Nations has gone very smoothly.

-- The United Nations forces are now up to full strength of 6,000 troops from seven different nations, and the United States has been assisting this effort in every possible way.

-- The recent clashes between rival Christian factions in the North illustrates how delicate the situation is in Lebanon.

-- We strongly support President Sarkis in his efforts to reestablish stability and unity to the nation of Lebanon. That support shall continue.

Israeli Security

-- The recent debate in the Senate on arms to Israel, Egypt and Saudi Arabia aroused intense emotion. The differences in viewpoint were sincere, but now we need to put the emotionalism behind us and go on with the work of peace.

-- We understand full well that Israel must be strong if she is to be able to take risks for peace, and our policy is based on that fact.

-- Our commitment to Israel's security is unequivocal, and we stand by our pledge not to use our military supply relationship to apply pressure to Israel.

-- In the past three months, this Administration has approved more than \$1.6 billion worth of military equipment for Israel, including 90 of the most sophisticated aircraft produced by the United States.

-- \$1 billion of new FMS financing is included in the budget now before Congress. Pipeline flow of previously approved items is going on routinely. Additional items approved during Defense Minister Weizman's trip in March are being acted on.

Talking Points on Human Rights

- We made known to the Soviet Union in the clearest possible terms our unhappiness over their treatment of Yurij Orlov, both because of the non-crime for which he was punished (monitoring compliance with the Helsinki Act) and for the way in which the trial was conducted.
- We are continuing to follow the Shcharanskiy, Ginzburg and Slepak cases and to make our concern known to the Soviet government.
- The Soviet crackdown on dissidents^{is} one of the harshest in years but the dissident movement continues strong.
- One bright note: Jewish emigration is way up this year. Our most recent figures indicate that in the first five months of this year the rate increased about 60% over the same period last year.
- Notwithstanding some short term setbacks, we will continue to keep the pressure on, believing as we do that over the long term it will lead to a better life for those in the Soviet Union.



The Business Roundtable

405 Lexington Avenue, New York, N.Y. 10017

ENERGY-ENVIRONMENTAL ISSUES

Meeting With The President June 15, 1978

The Honorable Jimmy Carter

OUTLINE FOR JUNE 15, 1978 MEETING

Mr. President, if we could leave you with one thought this morning, it would be this:

We believe it is utterly essential that the steps taken to reach our environmental goals be effectively coordinated by your Executive Branch with efforts -- in both the private and public sectors -- to achieve our other vital national objectives

- ° real and steady economic growth;
- ° productive job formation; and
- ° meaningful progress in developing our domestic sources of energy.

We are convinced that further failure to integrate environmental regulation with these other important goals will have harsh consequences for our nation's economy -- and may even have the ironic and unintended effect of endangering efforts to safeguard the environment.

Reaching our environmental goals will be costly. These costs can only be shouldered by a sound economy which, in large measure, depends upon the success of your program of rapid, domestic energy development. Accordingly, we view achievement of environmental goals as being directly dependent upon our ability to maintain a sound economy through energy development.

Regrettably, in our experience with environmental regulation, we have increasingly encountered needless delays and uncertainties. As a consequence, the rate of our domestic energy development has been seriously impeded. Because our nation's economy is so energy-intensive, the economic costs to the country of further delays are overwhelming.

1. Problem:

- Conflicts and a general absence of coordination among agencies which must license or otherwise approve energy projects;
- Both EPA and DOE have recognized this issue; and
- Dr. Schlesinger is on the right track with nuclear siting legislation.

Recommendation:

We are asking you to establish within your administration an administrative mechanism to coordinate federal, multi-agency review of licensing and environmental analysis of major energy projects.

Suggested Composition:

- Secretary of Energy (as Chairman)
- Secretary of Interior
- Chairman of CEQ
- Administrator of EPA
- Chairman of CEA
- Director of OMB

Reasons for Recommendation:

- Speed the final disposition of applications for permits and licenses by:
 - establishing timetables and target dates;
 - eliminating redundant hearings and filings; and
 - monitoring progress of each major project as it proceeds through the regulatory process;
- Result in better regulatory enforcement because:
 - it would provide a superior data base for administrative review through consolidated hearings; and
 - cultivate a broader perspective in federal decision-making leading to more balanced judgments.

2. Problem:

Implementation of 1977 Clean Air Act Amendments, particularly the "New Source Performance Standards".

EPA is now considering regulations relating to reduction of SO₂ emissions from fossil-fueled boilers and industrial stationary sources. These regulations will be the "acid test" of EPA's sensitivity to the economic consequences of their regulations. Unfortunately, some of the alternatives the EPA is now studying would

- Impose impossible standards on some industries;
- Encourage use of dirtiest coals; and
- Result in a disincentive to improve air quality.

The standards EPA ultimately adopts will have a profound effect on the basic construction and operating costs of new or modified stationary boilers and other sources -- and the inflationary implications are staggering.

Recommendation:

We urge you to instruct the Administrator of the EPA to adopt more moderate standards covering SO₂ emissions.

We specifically suggest standards with a sliding scale percentage SO₂ removal requirement keyed to sulfur content of coal. (Such as the one proposed by the public utility industry or those alternatives recommended by DOE.)

Reasons for Recommendation:

In addition to meeting the Congressional mandate by substantially reducing SO₂ emissions from all new or modified stationary sources, a graduated standard would also promote the following objectives:

- it would give true recognition to the Congressional purpose of the Clean Air Act -- to better air quality -- by encouraging utilities to burn the "cleanest" available fuels;
- it would maximize the environmental benefit derived from each dollar invested in new pollution abatement facilities; and
- it would provide a margin of compliance flexibility sufficient to encourage the development of new, more cost-efficient pollution control technologies.

3. Problem:

With the federal government as the owner of vast reserves of coal, oil and gas, it has the critical responsibility of deciding how fast to develop those deposits and how to secure a fair return for their use, while at the same time giving adequate consideration to environmental risks.

Environmental considerations, however, have brought federal coal and OCS leasing to a complete halt.

Coal:

Federal coal leasing must resume if the goals of the National Energy Plan are to be met. Under the NEP, demand for coal is predicted to reach almost 1.3 billion tons annually by 1985 -- double present annual production. Even conservative estimates place demand at a minimum of 1 billion t/y.

Without further leasing, our best estimate is that 1985 production will not exceed 900 million tons -- 600 million tons in the East and 300 million tons in the West -- including 200-230 million tons from mines with existing federal leases. These levels will result in a supply shortfall even at minimum levels of predicted demand.

OCS:

Likewise, most of the outer continental shelf has yet to be opened for exploration. Failure to accelerate OCS exploration may hold harsh consequences for our economy unless it is quickly corrected. The possibility exists of making new discoveries of oil that could be extracted at relatively low costs, reducing the enormous transfers of wealth to oil exporters.

Recommendation:

Direct Secretary of Interior to quickly complete coal programmatic environmental impact statement,

- and -

Review Administration's position on OCS legislation which will generate additional environmental litigation and delays.

4. Problem:

Increasingly costly and time-consuming environmental litigation must be reduced. The sheer duration of such suits costs millions and causes delays of unpredictable dimensions.

The adversary process is not well suited to resolution of environmental controversies because:

- Procedural delay is often used as a tactic to avoid final adjudication of the merits of a project;
- "Win/lose" attitude is engendered by courtroom confrontations;
- Environmental-energy questions are too complex for unilateral solutions; and
- The effects of the resolution of environmental lawsuits extend beyond the parties to the particular litigation.

Recommendation:

Sponsor legislation creating a National Energy-Environment Disputes Service to mediate energy-environmental controversies.

Reasons for Recommendations:

- Establish a climate of collaborative problem-solving in this highly complex area;
- Help formulate the best solutions to energy-environmental issues, instead of one-sided "victories" for parties to environmental controversies;
- Speed the final resolution of environmental-energy controversies;
- Discourage the use of litigation as a tactical device for unilaterally defeating energy projects; and
- Introduce into environmental controversies the valuable perspective of neutral parties with technical expertise in conciliation as well as energy and environmental matters.

I. FEDERAL AGENCY SCREENING TEAM

ISSUE AND ANALYSIS:

One of the major hurdles industry must surmount in constructing any new energy facility -- be it a coal mine, uranium mill or oil refinery -- is the need to obtain an ever-increasing number of permits and authorizations from government agencies. By one estimate, there now exist 16 federal agencies charged with the responsibility of issuing no fewer than 58 major licenses and permits. Construction of a single energy facility may require as many as 40 federal permits, in addition to those required by the states. The cumulative burden of obtaining all the necessary licenses and permits is, in our view, needlessly aggravated by the absence of coordination among the agencies involved. Each agency proceeds at its own pace. Each has its own procedure, priorities and perspective. As a result, the current regulatory structure does not provide for resolution of conflicts between agencies. Moreover, projects are evaluated piecemeal, not in their entirety. This fragmented approach to federal authorization of energy facilities drastically impedes the efforts of American industry to meet the nation's energy needs.

RECOMMENDATION:

Establish a Federal Agency Screening Team to prescribe guidelines and schedules for coordinated and expedited federal multi-agency review of the licensing, certification, leasing and environmental analysis of major energy projects.

THUMBNAIL SKETCH OF ESSENTIAL FEATURES:

We are not requesting the creation of a new federal "super agency." Rather we are proposing White House action which will require an inter-agency integrated approach to environmental policy. This would cover all segments of energy development, from exploration through power generation, and

industrial energy use. The policy would embrace exploration for oil and gas, coal and uranium; mining or other development and transportation of such sources of energy; generation of electric power; and energy consumption by major industrial facilities. We suggest that such a Cabinet subcommittee consist of the Secretaries of Energy and the Interior, the Chairmen of the CEQ and the Council of Economic Advisors, the Administrator of the EPA and chaired by the Secretary of Energy.

We would point out that studies commissioned by agencies such as the Federal Energy Administration* have reached similar conclusions and have also called for the creation of a system to track and coordinate federal authorizations of energy projects.

In this connection, we have also been encouraged by the sensitivity of both the DOE and the EPA to this problem, and we applaud their efforts to find solutions. We strongly endorse, for example, the concept embodied in Dr. Schlesinger's proposal to vest in DOE authority to coordinate all reviews relating to the siting, licensing, and operation of energy facilities.

REASONS FOR RECOMMENDATION:

The creation of such a team and the effective coordination of inter-agency activity would speed the final disposition of applications for permits and licenses by:

- (a) establishing timetables and target dates;
- (b) eliminating redundant hearings and filings; and
- (c) monitoring the progress of each major project as it proceeds through the regulatory process.

* Design of Tracking System for Federal Energy Facility Siting Actions, Federal Energy Administration, December 31, 1975.

II. DEPARTMENT OF THE INTERIOR: EXPEDITE FEDERAL COAL AND OUTER CONTINENTAL SHELF (OCS) LEASING

ISSUE AND ANALYSIS:

As the owner of vast reserves of coal, oil and gas, the federal government has the critical responsibility of deciding how fast to lease these deposits, attempting to secure a fair return for their use, and giving adequate consideration to environmental risks. While these decisions are difficult, we believe federal performance must be improved. Perhaps the most difficult decision for the government in this area, certainly the one most sharply debated, is the pace of federal leasing.

Federal Coal Leasing:

Federal Coal leasing must be promptly resumed if the goals of the National Energy Plan are to be met. At the outset we want to focus your attention upon a view which has enjoyed wide currency both inside and outside the Interior Department that the presently outstanding federal leases are sufficient to meet the country's demands for an indefinite period, and that there is no need for additional leasing.

This contention is based upon the mistaken comparison of the total tonnage of federal reserves under lease (16.2 billion tons according to BLM) to yearly projected consumption figures. Studies prepared by the BLM show, however, that the contention made by anti-leasing forces ignores factors such as the geologic disposition or economics of mining, the lead times necessary to bring a mine into production, the sequencing which must occur when developing larger reserve blocks, and other impediments such as distance from transportation facilities, which may exist and effectively prohibit the economic development of a given reserve block.

Our analysis strongly indicates that there are few, if any, large blocks of currently viable reserves held for what is frequently termed "speculative purposes" in the West. Our studies lead us to conclude that production for existing federal leases can be expected to account for approximately 200 million tons of annual production by 1985. Additional production from existing federal leases cannot occur unless reserves which are clearly uneconomic are developed.

Federal coal leasing must resume on a selected basis if the goals of the National Energy Plan are to be met. The demand for coal embodied in the NEP is predicted to reach almost 1.3 billion tons annually by 1985. This amounts to a doubling of coal production sometime within the next seven years. Although this goal has been questioned as being somewhat high, there is nevertheless wide agreement that demand will easily reach one billion tons per year by 1985.

As you are aware, at least four studies by various branches of the Congress* conclude that increasing U.S. coal production to meet a minimum demand of one billion tons annually by 1985 will be difficult to attain. Our best estimates of 1985 production levels which can reasonably be achieved without further leasing will not exceed 600 million tons in the East and 300 million tons in the West (including an estimated 200-230 million tons from mines with existing federal leases). These levels will result in a supply shortfall even at levels of minimum predicted demand.

In order to improve the chances that 1985 production can meet anticipated demand, it seems obvious to us, among other things, that additional federal reserves which can feasibly be mined in the near term should be made available. The

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- * 1. U.S. Coal Development--Promises, Uncertainties, Comptroller General of the United States, General Accounting Office, EMD-77-43, September 22, 1977.
 - 2. Project Interdependence: U.S. and World Energy Outlook Through 1990, Congressional Research Service, Library of Congress, Publication No. 95-31, June 1977, p. 32-33.
 - 3. Analysis of the Proposed National Energy Plan, Office of Technical Assessment, Congress of the United States, August 1977, p. 46-47 and 211.
 - 4. President Carter's Energy Proposals: A Prospective, Congressional Budget Office, U.S. Congress, staff working paper, June 1977, Chapter V.

federal government owns 60% of the Western U.S. coal reserves and effectively controls another 20%. Additional portions of these reserves should be leased on a selective basis soon if the West is to be a factor in avoiding a shortfall in coal supply.

We believe that the enforcement of moderate diligence requirements -- to increase the rate of development of federal reserves under lease -- will prevent any serious overleasing of economically developable coal. Such diligence requirements, however, should merely operate to encourage the early choice between production and relinquishment of the lease. Some excess of leases -- in fact a fairly sizeable excess -- is desirable because it would give the users of coal a wider choice of deposits which can be developed on short notice.

Outer Continental Shelf (OCS) Leasing:

We would urge the Administration to review its position on pending OCS legislation and related environmental regulations.

Most of the Outer Continental Shelf has yet to be opened for exploration. In our view the failure to accelerate OCS exploration may hold particularly harsh consequences for our economy unless it is quickly corrected. The possibility exists of making new discoveries of oil that could be extracted at relatively low costs. Such discoveries could result in a substantial savings for each barrel of foreign oil replaced by OCS production, reducing the enormous wealth transfer to oil exporters.

The projected costs to the country of further delay are overwhelming. Failure to accelerate leasing could translate into giving up as much as 3 million barrels of domestic production per day by 1985. At a conservative additional cost of \$5 per barrel for imported oil over domestically produced oil, this would mean about \$5 billion per year in losses to the nation as a whole.

RECOMMENDATIONS:

Direct the Secretary of Interior to:

1. Adhere firmly to the announced timetable for completion of the coal programmatic

environmental impact statement and for a coal leasing program decision;

2. In making such decision, recognize the need to lease additional selected federal coal reserves; and
3. Review the Administration position on pending OCS legislation and new environmental regulations which, we believe, can seriously delay the exploration and development of oil and gas reserves beneath the outer continental shelf.

III. CLEAN AIR ACT AMENDMENTS OF 1977 - NEW SOURCE PERFORMANCE STANDARDS (NSPS):

ISSUE AND ANALYSIS:

Under the National Energy Plan, coal consumption is projected to double by 1985. In enacting the Clean Air Act Amendments of 1977, Congress anticipated the air quality consequences of the expected shift by electric utilities from the use of natural gas and oil to coal. The Amendments embody a strict emission policy for new coal-fired generating plants and particularly seek to restrict emissions of Sulfur Dioxide (SO₂) by requiring new plants to use the best available control technology (BACT) to achieve continuous reduction of SO₂. Significantly, Congress did not specify the amount by which SO₂ emissions must be reduced, but instead delegated to the Administrator of the EPA the responsibility to prescribe regulations that (1) establish allowable emissions limitations, and (2) that require a percentage reduction in emissions from all sources.*

We have examined the SO₂ standards which we understand have been proposed by the EPA. Briefly, the draft SO₂ standards proposed by the EPA have two elements: (1) they prescribe a "ceiling" or maximum SO₂ emission limit of 1.2 lbs. SO₂ per million BTUs heat input, and (2) they require removal of 85% of all SO₂ emissions down to a "floor" of 0.2 lbs. per million BTUs without regard to the sulphur content of the particular coal to be utilized.

We would point out that the proposed standards represent an extreme emission limitation which prescribes the highest removal efficiencies ever achieved, or even thought to be theoretically possible. These levels have not been demonstrated

* Section 111 (a) (1) (A) of the Clean Air Act, as amended, directs the Administrator of the EPA to specify a standard for air pollutants from new stationary sources:

"(i) establishing allowable emission limitations for such category of sources, and

(ii) requiring the achievement of a percentage reduction in the emissions from such category of sources which would have resulted from the use of fuels which are not subject to treatment prior to combustion."

to be economically or practically feasible on a continuous basis. It is also significant that the proposed SO₂ NSPS virtually mandate the use of scrubber technology, contrary to the express intent of Congress embodied in Section 111(b)(5)*. The effect of this requirement is to discourage the development of alternative emerging technologies such as fluidized bed combustion and solvent refined coal.

More importantly, we believe these proposed standards will maximize the costs of compliance and will encourage the use of the nation's dirtiest coal. This will result in no significant reduction in aggregate SO₂ emissions or improvement in air quality.

RECOMMENDATION:

Direct the Administrator of the Environmental Protection Agency to promulgate regulations under the Clean Air Act Amendments of 1977, which establish emission reduction standards that truly reflect varying fuel characteristics, especially the potential of low-sulfur coal to reduce significantly both capital and operating costs of emission-abatement installations.

THUMBNAIL SKETCH OF ESSENTIAL FEATURES:

An example of such a standard has been offered by the Utility Air Regulatory Group (UARG). The most salutary feature of the UARG proposal is the requirement of a graduated percentage SO₂ which must be removed would vary directly with the sulfur content of the coal burned.

* Section 111(b)(5) provides:

"Except as otherwise authorized under subsection (h), nothing in this section shall be construed to require, or to authorize the Administrator to require any new or modified source to install or operate any particular technological system of continuous emission reduction to comply with any new source standard of performance."

REASONS FOR RECOMMENDATION:

In addition to meeting the Congressional mandate by reducing SO₂ emissions at least 50% from all new or modified "stationary" sources, such a graduated standard would also promote the following objectives:

- (a) it would maximize the environmental benefit from each dollar invested in new pollution abatement facilities;
- (b) it would encourage utilities to burn the "cleanest" fuels; and
- (c) it would encourage the development of new, more cost-efficient pollution control technologies.

IV. EXPEDITE PREPARATION OF ENVIRONMENTAL IMPACT STATEMENTS

RECOMMENDATION:

Strongly emphasize to the Chairman of the Council on Environmental Quality that it is in the national interest to set tighter deadlines for Environmental Impact Statements to bring new or expanded energy projects on stream within the shortest possible time.

Enforcement of Executive Order No. 11991:

We were encouraged by Executive Order No. 11991, which directed the Council on Environmental Quality to expedite the preparation of Environmental Impact Statements. We note, however, that more than a year has elapsed since your Order was issued, yet the prescribed regulations are not in effect. Because these regulations could accelerate completion of nearly every type of energy project, we urge you to bring about their prompt issuance and rigorous enforcement.

V. NATIONAL ENERGY
ENVIRONMENTAL DISPUTES SERVICE

ISSUE AND ANALYSIS:

One of the most frustrating obstacles in the path of expediting domestic energy development is increasing, costly, time-consuming environmental litigation. Litigation, by its nature, causes delays of unpredictable dimensions. Too often, a major energy project languishes at a cost of millions of dollars while such suits are pending. Occasionally, the targets of environmental suits are cancelled altogether -- not because of any judicial determination respecting their environmental merits -- but simply as a result of the duration of the proceedings.

Some environmental litigants are frank to admit that the extensive delay caused by a lawsuit is the single most effective means available of unilaterally blocking construction of a project. Such "wars of attrition" are not conducive to sound energy/environmental planning, nor do they benefit society as a whole.

We believe that the adversary process is poorly suited to the resolution of environmental controversies. Parties to lawsuits are invariably pitted against each other in a contentious "win/lose" situation. Adversary proceedings, of course, will always play an important role where liability or fault must be established. But questions presented in environmental disputes are far more complex, and the effects of their resolution extend well beyond the parties to a particular suit.

The concepts of "winning" or "losing" engendered by the adversary process are not calculated to foster acceptable solutions to environmental questions. We submit that it is inherently counterproductive to frame issues in terms of "energy versus environment," as is often done in litigation. Obviously, we must have both or we will have neither. Experts in conflict resolution have observed that energy/environmental confrontations in the Courtrooms do not lead to "victory" for one side over the other. In the long run, they lead only to defeat for both.* The question then, as we see it, is not which

* See, e.g., No Winners - Only Losers or Mutual Victories, Donald B. Straus, Research Institute of the American Arbitration Association.

side must "win", but what accommodations must be made to maximize the achievement of both energy and environmental goals.

We believe that a mechanism must be found which leads not to "victories" and "defeats", but one which improves the chances of avoiding disputes and reaching better decisions.

RECOMMENDATION:

Sponsor legislation creating a National Energy and Environmental Disputes Service to mediate energy-related environmental controversies in an effort to conciliate differences and minimize time-consuming litigation.

THUMBNAIL SKETCH OF ESSENTIAL FEATURES:

The proposed Service would have original jurisdiction over any private civil action "arising under" the federal environmental laws in which equitable relief is sought.

Procedures for conciliation would be patterned on those employed in arbitration and would include time limitations on discovery and strict scheduling of conciliation hearings. Conciliation proceedings would culminate in the issuance of a final decree. The decrees would be binding on the parties and enforceable in the U.S. District Courts. Judicial review of such decrees would be limited to those granted in the discretion of the Circuit Courts of Appeal, or upon the certification by the Service of the existence of a "substantial question" respecting the correctness of its determination.

REASONS FOR RECOMMENDATIONS:

We believe that mandatory referral of energy-environmental litigation to a National Energy and Environmental Disputes Service will promote the following objectives:

1. establish a climate of collaborative problem-solving in this highly complex area;

2. discourage the use of litigation as a tactical device for unilaterally defeating energy projects;
3. help formulate the best solutions to energy/environmental issues, instead of one-sided "victories" for parties to environmental controversies;
4. speed the final resolution of energy/environmental controversies;
5. introduce into environmental controversies the valuable perspective of neutral parties with technical expertise in conciliation as well as energy and environmental matters.



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JOHN POST
Executive Director

March 27, 1978

The Honorable Jimmy Carter
The White House
Washington, D.C.

Dear Mr. President:

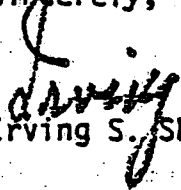
A small group of members of The Business Roundtable would deeply appreciate an opportunity to meet with you at your earliest convenience to discuss with you some of the constraints the environmental administrative process is causing.

We believe that these constraints directly impede the achievement of the nation's energy objectives, high-level employment and steady economic growth.

We have discussed with Dr. Schlesinger and Stuart Eizenstat the advisability of our seeking this appointment and both of them have encouraged us to do so.

A briefing memo for use in advance of the meeting is attached.

Sincerely,


Irving S. Shapiro

Attachment

POLICY COMMITTEE: Irving S. Shapiro*, Chairman • Reginald H. Jones*, Cochairman • Thomas A. Murphy*, Cochairman • Ray C. Adam*
• Frank T. Cary* • John D. deButts* • James L. Ferguson* • John B. Harper* • Robert S. Hatfield* • Frank B. Milliken* • Howard J. Morgens*
• David Packard* • Charles J. Pilliod, Jr.* • Donald V. Seibert* • William S. Sneath* • Edgar B. Speer* • J. Paul Austin • Robinson F. Barker
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• W. H. Krome George • John W. Hanley • Edward G. Harness • Shearon Harris • Gilbert W. Humphrey • Ralph Lazarus • Donald S. MacNaughton
• Robert H. Malott • Roger Milliken • Ellmore C. Patterson • John J. Riccardo • Richard A. Riley • David Rockefeller • George A. Stinson
• W. Reid Thompson • Rawleigh Warner, Jr. • William L. Wearly • Arthur M. Wood • Richard D. Wood • Walter B. Yrison

*Executive Committee
**Senior Members



March 27, 1978

MEMORANDUM FOR THE PRESIDENT:

We at The Business Roundtable wish to discuss with you serious difficulties we are experiencing in our efforts to achieve national energy and economic goals of the highest priority. Our problems are the inordinate delays and uncertainties we increasingly encounter in the environmental administrative process. These constraints directly impede the attainment of high levels of domestic energy production and the promotion of a full-employment economy.

We believe there has been a fundamental failure of this and past administrations to recognize the importance to our economy of securing prompt, predictable and final environmental determinations. The administrative process associated therewith simply has not given adequate consideration to the urgency of domestic energy development.

Delay and unpredictability impede the planning of new domestic energy projects. They also diminish business and investor confidence, which results in a cautious investment climate regarding energy projects. This leads to an escalating reliance on increasingly expensive foreign oil thereby exporting job opportunities and undermining our balance of trade with adverse inflationary consequences to the development of domestic energy sources. We believe that the link between the delay and unpredictability associated with the administration of our environmental policies and the achievement of the national goals for energy and the economy is unmistakably clear and should not continue to be ignored.

To illustrate the problem, Attachment 1 provides examples of instances where a reasonable accommodation between energy and environmental objectives was never accomplished, or was finally achieved only after delays of great duration and enormous cost. We do not propose to reopen debate over the relative merits of these cases. We offer them only to demonstrate a few notable examples of a pervasive problem.

Many other projects are currently experiencing similar delays and uncertainties. Moreover, if the largest industrial corporations are suffering from these problems, the impact on smaller companies must be even greater. Ultimately, of course, it is the American consumer, who, to the greatest extent, bears the consequences of inflation induced by escalating energy costs. And, it is the American worker who is deprived of the jobs which are lost through delay or frustration in the development of our domestic energy resources.

We believe that the costs of implementing the nation's environmental goals can be shouldered only if we have a robust economy. Because the American economy is so energy intensive, its continued vitality depends to a very great degree upon our ability to accelerate the rate of domestic energy development. If environmental objectives are to be realized, they must in our view be coordinated and integrated with our energy and economic goals. No one of these highly important national goals can be satisfactorily achieved without a coherent effort respecting the attainment of the others.

We urge you to consider the following proposals. We believe they will help to reduce delay and uncertainty without sacrificing environmental goals:

I. Establish a Federal Agency Screening Team to prescribe guidelines and schedules for coordinated and expedited Federal multi-agency review respecting major energy project

1. Licensing, certification or leasing; and

2. Environmental impact analysis.

We have in mind definitive White House action requiring an inter-agency integrated approach to environmental policy respecting all segments of energy development from exploration through power generation and industrial energy use. The policy would thus embrace exploration for oil and gas, coal and uranium; mining or other development and transportation of such sources of energy; generation of electric power; and energy consumption by major industrial facilities. We suggest that such a Team could be comprised of the Secretaries of Energy and Interior, the Chairman of the CEQ, the Administrator of the EPA and a Chairman you would designate from within your Executive Office.

II. Direct the Secretary of Interior to:

1. Adhere firmly to the announced timetable for completion of the coal programmatic environmental impact statement and for a coal leasing program decision;

2. In making such decision, recognize the need to lease additional selected federal coal reserves; and
3. Review the Administration position on pending OCS legislation and new environmental regulations which, we believe, can seriously delay the exploration and development of oil and gas reserves beneath the Outer Continental Shelf.

III. Direct the Administrator of the Environmental Protection Agency to promulgate regulations under the Clean Air Act Amendments of 1977 establishing emission reduction standards which truly reflect varying fuel characteristics and especially the potential of low sulphur coal to significantly reduce both capital and operating costs of emission abatement installations.

IV. Strongly emphasize to the Chairman of the Council on Environmental Quality that it is in the national interest that tighter deadline dates be set for the completion of environmental impact statements to bring proposed new or expanded energy projects on stream within the shortest feasible time frames.

V. Sponsor legislation creating a National Energy and Environmental Disputes Service to mediate energy-related environmental controversies in an effort to conciliate differences and minimize resort to time-consuming litigation.

We believe that only you can provide the national leadership in the energy-environmental conflict, set a realistic course for administrative action and clearly establish the needed priorities. The Business Roundtable stands ready to help in this endeavor.

ATTACHMENT 1

Project/ Location	Corporations Involved	Primary Service Area	Regulatory Delay	Status	Energy Impact of Delay	Consequences of Delay
KAIPAROWITS Construction of a new 5,000 megawatt coal-fired power plant Kaiparowits Pla- teau in Southern Utah	So. California Edison, Arizona Public Service and San Diego Gas & Electric	Enough power to supply a city of 6 million. De- signed to serve various cities in Southern California and the Southwest	13-year delay (1963-1976)	Cancelled	33 million barrels per year	Cost escalated to 3.5 billion for a plant one half the size of original planned for \$500 million
COLSTRIP #3 & #4 Construction of 2 new 700 megawatt coal-fired power plants Eastern Montana	Montana Power and 4 other North- western utilities	Pacific Northwest	4-year delay	\$106 million committed and project pro- ceeding	16 million barrels per year	Cost escalated to \$1.4 billion from \$465 mil- lion. Each additional year costs \$59 million in inflation
INTERMOUNTAIN Construction of a new 3,000 megawatt coal-fired power plant Salt wash in south central Utah	23 Utah and 6 California muni- cipal electric utilities	Communities in Utah and Anaheim, Burbank, Glendale, Los Angeles, Pasadena and Riverside, Cali- fornia	Change of site will delay 2 years	Uncertain because In- terior has recommended alternative site	35 million barrels per year	\$4 billion pro- ject. Moving site will add \$400 million to construction costs and each year delay adds \$250 million in inflation
JAMESPORT Construction of 2 1,150 megawatt nuclear-fueled power plants Jamesport, N.Y.	Long Island Lighting Co. and New York State Electric and Gas	Nassau and Suffolk Counties, Long Island, N.Y.	7-year delay Completion de- layed from orig- inal schedule of 1981 to 1988 or beyond	Awaiting federal and state permits	20 million barrels per year	Cost escalated from \$1.3 bil- lion to est- imated \$3.8 billion
MIDLAND Construction of 1,300 megawatt nuclear-fueled power plant also to provide 4 mil- lion pounds of processed steam for industrial use Midland, Michigan	Consumers Power Co.	1.2 million cus- tomers in the lower peninsula of Michigan	6-year delay Completion de- layed from orig- inal schedule of 1975 to 1981	40% complete, Construction proceeding although NRC and court proceedings pending	Reserve power capacity of Michigan power pool diminished	Cost escalated from \$349 mil- lion to \$1.67 billion

Project/ Location	Corporations Involved	Primary Service Area	Regulatory Delay	Status	Energy Impact of Delay	Consequences of Delay
BAILLY Construction of a 644 megawatt nuclear-fueled power plant Porter County, Indiana	Northern Indiana Public Service Company	242 communities in Northwestern Indiana	8-year delay Original projec- ted in-service date 1976, now projected in- service date 1984	Under con- struction	7 million barrels per year	Cost escalated from \$187 mil- lion to \$850 million
STORM KING Construction of a 2,000 megawatt pumped storage hydroelectric plant Cornwall on the Hudson, N.Y.	Consolidated Edison	Metropolitan N.Y.C. and Westchester County	20-year delay Original projec- ted in-service date 1966-67, now projected in- service date late 1980's	Awaiting out- come of hear- ings before FERC scheduled to resume in 1979	Estimated savings of 6,000 BTUs/kwh over gas turbine generation	Cost of \$165 million in 1962, estimated to cost more than \$1 bil- lion today
KERN COUNTY Thermal tertiary recovery project increasing re- covery by 25% Kern County, California	Getty Oil Company and others	California refineries	2-year initial delay with unknown additional delay	Approximately 300 air qual- ity permits to be obtained for steam generators	34 million barrels per year upon installation of needed facilities	Some projects may become uneconomic or be affected by other DOE regula- tions
HONDO FIELD Offshore oil leases California	Exxon Corporation and joint venture partners	Pacific West Coast	9-year delay Field leased in 1968, first dis- coveries made in 1969	Negotiations continuing on transportation and production stipulations	10 million barrels per year	Over \$500 million invested with no production
SOHIO PACTEX Construction of pipeline to trans- port Alaskan crude oil and surplus West Coast oil from Long Beach, California to Midland, Texas	Standard Oil Company of Ohio	Central United States	3-year delay	Construction has not yet begun because all necessary permits have not yet been obtained	Surplus of oil on West Coast and disruption of California crude market	High cost trans- portation through Panama Canal and inefficient utili- zation of Alaskan oil
ALYESKA PIPELINE Construction of 800 mile oil pipeline from Prudhoe Bay to Valdez, Alaska	Arco Pipeline Company, Exxon Pipeline Company, BP Pipelines, Inc. and five other companies	Delivers oil from Prudhoe Bay to Valdez, Alaska for distribution to U.S. refineries	5-year delay Application for right of way filed June, 1969, comple- tion originally scheduled for 1972; actual completion and start-up June, 1977	Completed Could only be started after special act of Congress and permitting by 56 govern- mental agen- cies	180 million barrels per year Alaskan oil not available during OPEC embargo with U.S. shortfall roughly equivalent to shortfall during embargo	Construction costs escalated from \$900 million to \$7.7 billion with unnecessary costs of delay estimated at \$1-2 billion

NOTES TO ACCOMPANY ATTACHMENT 1

Coal-Fired Power Plants:

The histories of the three coal-fired power plants listed in the Attachment provide examples of delays attributable to the uncertainty of the regulatory process. In the case of Kaiparowits Plateau Project, the major pollution control issue was settled promptly through the utilities' agreement to remove more pollutants than required by the existing federal standards. The serial introduction and consideration of new issues, however, delayed the completion of the environmental impact statement. Inquiries were made respecting the need for lights on transmission towers to warn birds, the use of helicopters to build transmission lines to safeguard the habitat of the Stephens Kangaroo rat, the prohibition of construction when antelopes were fawning or birds of prey were nesting, and the proscription against construction of lines within 200 feet of desert-tortoise dens or within a quarter mile of black-ferret towns. The final impact statement was completed in March, 1976. The project was cancelled, however, because of escalating costs and the uncertainty of obtaining over 200 additional required permits and authorizations from 42 federal state and local agencies.

The Colstrip Project was delayed by the issuance and interpretation of supervening laws and regulations. Six months after construction was scheduled to start, the EPA issued regulations governing the Prevention of Significant Deterioration (PSD), applicable to sources which had not commenced construction before June 1, 1975. The utilities believe in good faith that construction of Colstrip 3 & 4 had already "commenced" within the meaning of the PSD Regulations. The EPA in October of 1976 ruled instead that Colstrip 3 & 4 had not commenced construction and were therefore subject to the PSD Regulations and that an EPA construction permit was required. In October of 1976, the utilities filed a suit for Declaratory Judgment and the Federal District Court ruled that Colstrip 3 & 4 had commenced construction and that an EPA preconstruction permit was not required. EPA and various intervenors appealed the District Court's decision. That appeal is pending in the Circuit Court of Appeals. The companies proceeded with actual on-site construction following the Federal District Court ruling in the Spring of 1977. In August of 1977, however, Congress passed Amendments to the Federal Clean Air Act. The EPA renewed its

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Coal-Fired Power Plants:

The histories of the three coal-fired power plants listed in the Attachment provide examples of delays attributable to the uncertainty of the regulatory process. In the case of Kaiparowits Plateau Project, the major pollution control issue was settled promptly through the utilities' agreement to remove more pollutants than required by the existing federal standards. The serial introduction and consideration of new issues, however, delayed the completion of the environmental impact statement. Inquiries were made respecting the need for lights on transmission towers to warn birds, the use of helicopters to build transmission lines to safeguard the habitat of the Stephens Kangaroo rat, the prohibition of construction when antelopes were fawning or birds of prey were nesting, and the proscription against construction of lines within 200 feet of desert-tortoise dens or within a quarter mile of black-ferret towns. The final impact statement was completed in March, 1976. The project was cancelled, however, because of escalating costs and the uncertainty of obtaining over 200 additional required permits and authorizations from 42 federal state and local agencies.

The Colstrip Project was delayed by the issuance and interpretation of supervening laws and regulations. Six months after construction was scheduled to start, the EPA issued regulations governing the Prevention of Significant Deterioration (PSD), applicable to sources which had not commenced construction before June 1, 1975. The utilities believe in good faith that construction of Colstrip 3 & 4 had already "commenced" within the meaning of the PSD Regulations. The EPA in October of 1976 ruled instead that Colstrip 3 & 4 had not commenced construction and were therefore subject to the PSD Regulations and that an EPA construction permit was required. In October of 1976, the utilities filed a suit for Declaratory Judgment and the Federal District Court ruled that Colstrip 3 & 4 had commenced construction and that an EPA preconstruction permit was not required. EPA and various intervenors appealed the District Court's decision. That appeal is pending in the Circuit Court of Appeals. The companies proceeded with actual on-site construction following the Federal District Court ruling in the Spring of 1977. In August of 1977, however, Congress passed Amendments to the Federal Clean Air Act. The EPA renewed its

contention, this time based on the 1977 Amendments to the Clean Air Act, that Colstrip 3 & 4 were subject to the PSD Regulations and that a preconstruction permit was required. The utilities have appealed the EPA ruling to the Circuit Court of Appeals, but construction of Colstrip 3 & 4 was halted.

Finally, in the case of the Intermountain Power Project, a portion of the mountainous terrain surrounding its Salt Wash Utah site was recently classified Class I air quality under the 1977 Amendments to the Clean Air Act. The Amendments do permit the issuance of a variance with state and federal approval. Secretary Andrus, however, announced in late 1977 that no variance would be granted if another site could be located because of the proximity of Salt Wash to the Capitol Reef National Park. The Secretary of Interior has since formed a task force to locate and evaluate alternate sites. Progress on the project has been suspended even though Utah lawmakers favor the present Salt Wash site.

Nuclear Power Plants:

In the Jamesport Project, the Long Island Lighting Company (LILCO) submitted its application for a permit to the Nuclear Regulatory Commission in the summer of 1974. The application included 200 pages of exhibits, a nine volume environmental report and a thirteen volume preliminary safety report. Hearings before the Atomic Safety and Licensing Board began in 1974 and extended until June, 1977, producing 9,219 pages of testimony. The Commission has yet to render a decision on the application. In 1974 LILCO also submitted an application to the New York State Board on Electrical Generating Siting and the Environment. This application included 27 volumes of studies demonstrating the need for additional electric generating capacity and the environmental impact of the proposed facilities. Hearings commenced in October, 1974, continued 123 days over a 36-month period, and resulted in a 30,000 page transcript. It is not known when the Board will reach a decision. Similarly, in the Midland and the Bailly projects, hearings of almost four years duration were required before construction permits were issued.

Hydroelectric Facilities:

The Storm King pumped-storage electric generating plant, proposed by Consolidated Edison of New York in 1962, was designed to pump Hudson River water to an elevated reservoir during off-peak hours to be released for power generation during peak-demand hours.

The Storm King project has never at any time been disapproved or rejected by any court or licensing agency. Construction simply has been delayed over and over again by agency and court decisions to reopen the hearings in order to consider "new evidence".

One instance is illustrative of the kinds of delays that have occurred. A Court of Appeals decision ordered the FPC to reopen hearings for a new study of fish life in the Hudson. The study cost Con Edison \$20 million. The money was spent for a third major fish study which took four years to complete, involved seven major universities and scientific institutions, and came to essentially the same conclusion reached by Con Ed's own scientists more than ten years before -- that about four to five percent of the eggs and larvae would be entrained by the plant, and that the total fish populations would not be affected.

Petroleum Installations:

The Kern County producers have been trying to get air permits to increase production of crude oil in California through tertiary recovery operations using steam injection. Air permits must be obtained from both the County and the Environmental Protection Agency. The California Air Resources Board monitors the County permitting process closely, with the result that State approval of permits is also required. The permitting process has been further complicated by the new Federal Prevention of Significant Deterioration (PSD) regulations which are now applicable to these facilities. The Federal PSD and Nonattainment regulations are based on Federal ambient air quality standards. These regulations are superimposed on the local preconstruction review regulations, which renders the process so complex that producers simply do not know how to satisfy these requirements.

When the Alyeska pipeline was announced in 1969, it was widely recognized to be an undertaking of unprecedented engineering magnitude and complexity. Between 1969 and 1976, however, the engineering problems began to pale in comparison to the political and regulatory problems which arose. A massive amount of engineering work was done during this period which was unrelated to the actual construction of the pipeline system, but rather was submitted to the Federal Government in the hope that it would issue the necessary authorizations. It was once estimated that the documents submitted to the government by Alyeska would comprise a stack 15 miles high.

It was never thought that the pipeline could be designed on the drawing board with the precision that one might design a high-rise apartment building. This was because the final design would necessarily be dictated by the novel field conditions encountered during the actual construction. Nevertheless, between 1969 and 1973 the Department of the Interior, in conjunction with a host of other agencies, attempted to predesign the Trans-Alaskan Pipeline System through the development of technical design Stipulations. The Stipulations required, among other things, approval by both Federal and State authorities of detailed construction plans and specifications in advance of construction. Thus, every design problem encountered was considered independently by Alyeska and by State and Federal officials at a great expense of time and money even though the actual final design of the pipeline system still depended upon the conditions encountered during the course of construction.

3156

THE WHITE HOUSE
WASHINGTON

June 15, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

June 14, 1978

Q
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MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *f.m./pd.*

We lost Veterans Preference in the Governmental Affairs Committee by a vote of 7 to 9. Instead, the Committee voted to urge the creation of a joint task force comprised of five Governmental Affairs Committee members and five Veterans Affairs Committee members who are to report their recommendations regarding proposed changes in veterans preference by December 31, 1978.

Senators voting with us were: Eagleton (who was a strong and articulate spokesman for our position), Javits (who brought up our proposal), Sasser, Humphrey, Danforth, Percy (who was fighting hard for our position), and Ribicoff.

Stevens led the opposition and Glenn and Nunn gave strong statement in support of retaining the present preference.

Even though this was only action at the Committee level, the pressure by veterans groups on all members was intense. Those who voted with us cast courageous votes and we should take special steps to thank them.

I recommend that you telephone Senators Eagleton and Percy ✓
thanking them for their outstanding efforts. ✓

*Frank- Tell Scotty & others
that we must emphasize that
this guts a major portion
of the reform legislation*

J

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

June 15, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *F.M./BR*
RONNA FREIBERG *RF*
TOM DONILON *TD*

SUBJECT:

THE CAMPAIGN EFFORT

1. I am attaching a further breakdown of the scheduling of appearances made by Administration officials showing how many have been made for the House, the Senate and Governor races.
2. Excluding yourself and the Vice President, Ambassador Strauss is the official in greatest demand.
3. Over the last couple of weeks, my staff has begun to detect some wariness on the part of candidates and their staffs about scheduling you or your representatives into their state. We have heard this from candidates in Oklahoma, Nebraska, Kansas and some of the other midwestern states.
4. Tim Kraft has arranged with the DNC to fund a limited field program similar to the one by the Campaign Committee in 1974. Chairman White is looking into the possibility of making some small cash contributions available to a small number of candidates. There is some discussion about doing some kind of a voter registration program in the fall. However, the overall campaign effort from the DNC will be severely limited by the lack of funds.
5. Current polls and political assessments continue to indicate that we are not likely to lose a large number of House or Senate seats.

-- In the House most of the freshmen and sophomores in the traditionally marginal districts appear to be doing well and using their incumbency to full advantage. The major focus will be on the open seats which now number 45. Even with the open seats, however, we look like we are holding our own pretty well. At this point it does not look like we will lose more than 15-20 seats, and it would be possible to do even better.

Good

- In the Senate the net result should be fairly stable. We have probable pickups in Nebraska, Kansas and Oklahoma, and a good chance in New Jersey and possibilities in Texas, North Carolina and South Carolina. This should offset possible losses in South Dakota, Colorado, West Virginia, Maine and other states. It would be possible for us to gain one or two states in the Senate.
 - In the Governor races it looks like we are vulnerable in as many as ten states, and it is unlikely that we will have a net loss of less than 5 or 6. Political writers are already starting to focus more on the possible changes in governorships. A brief analysis, prepared by Cynthia Wilkes Smith of Jack Watson's staff, of some of the more marginal State House races is attached.
 - Again, any public discussion by you about our prospects in these areas should be cautious to avoid any high expectations that it will be difficult to be measured against.
6. Our office has consulted with Phil and Fran and gone through each state to determine the desirability of a Presidential visit. Phil will be working this out directly with you.
- cc: The Vice President
Hamilton Jordan
Tim Kraft
Jody Powell
Stu Eizenstat
Jack Watson

BOX SCORE:

ADMINISTRATION APPEARANCES FOR ELECTED OFFICIALS

	<u>Fall, 1977- Feb. 27, 1978</u>	<u>Feb. 27- May 1, 1978</u>	<u>May 1- June 6, 1978</u>	<u>Total</u>
House priorities	62	79	39	180
House non-priority	50	31	30	111
Senate marginal	14	19	10	43
Senate non-marginal	31	9	6	46
Governors marginal	-	2	4	6
Governors non-marginal	-	2	1	3
Combined Totals	157	142	90	= 389

MARGINAL GUBERNATORIAL RACES

Primary Date

- 9/12 CONNECTICUT: Governor Grasso has primary opposition from Lt. Gov. Robert Killian; whoever wins will have another tough battle in the general, probably against Congressman Ron Sarasin.
- 9/12 FLORIDA: Whoever wins the democratic primary will have a tough battle in the general against Jack Eckerd or Congressman Louis Frey. Governor Askew has not publicly endorsed anyone.
- 6/13 MAINE: Governor Longley is not seeking re-election per his promise to the voters. Attorney General Joseph E. Brennan will be the Democratic candidate. He will face Linwood Palmer, the State House Minority Leader, in what is sure to be a difficult race, probably involving independent candidates again.
- 5/9 NEBRASKA: Lt. Governor Gerald Whelan is having a very tough race against Congressman Charles Thone. Governor Exon is running for Senator Curtis' seat, from which Curtis is retiring.
- 9/12 NEVADA: Governor O'Callaghan is not running for re-election. There is a very close primary race for the democrats; among the candidates is Lt. Governor Robert Rose. The republican nominee will probably be Atty. Gen. Robert List, and the general election will be a close one.
- 6/6 NEW MEXICO: Governor Apodaca cannot succeed himself. Former Governor Bruce King will have a tough time against state senator Joe Skeen, the 1974 GOP gubernatorial nominee.
- 9/12 NEW YORK: Governor Hugh Carey has some primary opposition but will have a tougher time with his republican opposition, Minority Leader Perry Duryea.
- 5/23 OREGON: Governor Robert Straub is the democratic nominee but can still have a tough race against Senate Minority Leader Victor Atiyeh, who "upset" former governor Tom McCall.
- 5/16 PENNSYLVANIA: Pete Flaherty is definitely in a tough race against former U.S. Asst. Atty. Gen. Richard Thornburgh. Governor Shapp is not eligible to run again.
- 6/6 SOUTH DAKOTA: Governor Kneip is in Singapore. The democratic nominee, State Senator Roger McKellips, will have a tough race against Atty. Gen. William Janklow, the probable republican nominee.
- 9/12 WISCONSIN: Governor Martin Schrieber has a tough primary race; whoever wins will then face Congressman Robert Kasten, the probable republican nominee, in a close general election.

WATCH THESE CLOSELY

Primary
Date

9/12 COLORADO: Governor Lamm is seeking re-election and could have a tough race against the republican nominee, whoever it is.

8/8 IDAHO: Governor John Evans has no primary opposition but may find a difficult race in the general; there is no clear republican leader now.

8/1 KANSAS: It is possible that John Carlin, Speaker of the House, could give Governor Bennett (R) a good race, but Carlin must win the primary first.

9/12 MINNESOTA: Governor Perpich has no primary opposition but could face a difficult republican challenger--probably Congressman Albert Quie.

6/6 OHIO: Lt. Governor Dick Celeste might possibly get close to Governor Jim Rhodes, on a long shot.

5/6 TEXAS: Atty. Gen. John Hill has a good chance of winning against Bill Clements, former deputy secretary of Defense, but the republicans will have a lot of money. Governor Briscoe lost in the primary.

9/12 WYOMING: If Governor Herschler runs again, he will probably win; if not, Teno Roncalio might run and would have a tough race against the republicans.

SAFE STATES

ALABAMA: whoever wins the democratic primary will also win the general election.

ALASKA: Governor Hammond is seeking re-election and will have no problem retaining his seat

ARIZONA: Governor Bruce Babbitt is seeking re-election and will retain his seat

ARKANSAS: democratic nominee Bill Clinton will probably have no trouble keeping this seat for the democrats; Governor Pryor is in the running for Senate

CALIFORNIA: Governor Brown is seeking re-election and will probably retain this seat for the democrats

GEORGIA: Governor George Busbee is seeking re-election and will have no trouble retaining his seat.

HAWAII: whoever wins the democratic primary--Fasi or Governor Ariyoshi--will probably retain the democratic seat

ILLINOIS: Governor Jim Thompson will retain this republican seat

IOWA: Governor Bob Ray will retain this republican seat

MARYLAND: whoever wins the democratic primary will probably retain this democratic seat

MASSACHUSETTS: Governor Dukakis will probably retain this seat for the democrats

MICHIGAN: Governor Bill Milliken will retain this seat for the republicans

NEW HAMPSHIRE: Governor Meldrim Thomson will retain this seat for the republicans

OKLAHOMA: whoever wins the democratic primary should be able to retain this seat for the democrats; Governor Boren is running for the Senate

RHODE ISLAND: Governor Garrahy is seeking re-election and should retain this democratic seat

SOUTH CAROLINA: whoever wins the democratic primary should obtain this seat from the republicans; Governor Edwards is not eligible to seek re-election.

TENNESSEE: whoever wins the democratic primary should win the general; Governor Blanton is one of several candidates.

VERMONT: Governor Snelling is seeking re-election and will retain this seat for the republicans.

THE WHITE HOUSE
WASHINGTON

June 15, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ
MARGARET McKENNA

RL
mk

C

SUBJECT: Zavala County

Based on what the Judge considered credible testimony of Olivarez and depositions of Aragon, Moore and McKenna, he ruled against Zavala and for the government. In the decision, he said:

"CSA acted in good faith based on valid programmatic concerns....." The position taken was "eminently reasonable . . . based on a past history of a troubled grantee." "The actions taken were in no way politically motivated or instructed."

"CSA was not directed in this by the President's personal staff." "There is no showing of any wrongdoing of any kind by the White House Staff." Testimony by the government in this case "shows a concern for the poor of the United States."

It is unclear, though unlikely, that there will be an appeal by the plaintiffs (Zavala).

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

THURSDAY - JUNE 15, 1978
11:35 A.M.

MR. PRESIDENT

SECRETARY ADAMS CALLED.

PHIL

*Waterway user
- Boston - Pan Am - Dutch*

June 15, 1978

To J. C. Turner

I was pleased to see the photographs and the story about my meeting with your General Executive Board in the June issue of The International Operating Engineer.

Thank you for your expression of confidence and support.

Sincerely,

JIMMY CARTER

Mr. J. C. Turner
General President
International Union of Operating Engineers
1125 17th Street
Washington, D. C. 20036

JC/mf/jmc/js/em

31 of the International Operating Engineers
Re my meeting with your General
Executive Board 7806161835

JUNE 1978

**A VISIT
WITH THE PRESIDENT
TO SAY
'THANK YOU'**




MEMORANDUM—

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: LANDON BUTLER 

DATE: JUNE 9, 1978

SUBJECT: J.C. TURNER

J. C. Turner of the Operating Engineers is one of your staunchest supporters on the AFL-CIO Executive Council.

He ran this picture on the front page of his union's magazine to counter the impression that Mr. Meany has left that labor does not support the Administration.

*Susan
"th"
LMB
J*

THE WHITE HOUSE
WASHINGTON

- Bad situation now, & in
future & existing laws
- Things cost effective
 - Others, basically
non-inflationary
 - Costly expansion
-

THE WHITE HOUSE
WASHINGTON

June 14, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: NATIONAL HEALTH INSURANCE

11:30
Stu -
Use in
directive to
HEW
J

1. You are meeting tomorrow at 11:30 AM with Secretary Califano and myself on NHI principles.

2. I am attaching HEW's draft principles for the "broad" and "targeted" approaches, and OMB/CEA draft principles for a "target" plan. The HEW submission contains some backup materials as well. These sets of principles are not in anything resembling final shape. They need substantial revision as to both content and form.

3. The principles reflect consensus among your advisors that our NHI goals should be to increase access to quality health care, protect against catastrophic expenses, contain costs, and reform the health care system. The essential difference between the sets of principles is in their advocacy of what portions of NHI should be legislated now. The broad principles call for legislation now which provides phased-in comprehensive (basic and catastrophic) benefits for all Americans. The target principles call for legislation providing only Medicaid reform and catastrophic protection now and would require subsequent legislation to phase in comprehensive benefits.

4. If the broad approach is adopted, it must be made clear that the plan will be anti-inflationary.

A possible anti-inflation principle is:

"Under the plan total health expenditures will be less than they would have been otherwise. The phasing in of benefits will be deferred if this goal is not in the process of being met."

Under this principle new benefits would not be provided unless costs were being brought under control. However, it may be technically difficult to define the trigger which would determine whether or not to delay benefits, and labor may oppose any trigger provision (Senator Kennedy, we believe, would accept one).

A less rigorous anti-inflation principle is:

"When the program is fully implemented (e.g., 8-10 years after enactment), health care expenditures will be less than they would have been otherwise."

This principle does not make the phasing in of benefits dependent on the success of cost containment efforts.

HEW's draft principles (7-9, 20) are less rigorous than either of these two principles.

Another key issue is whether to include patient cost-sharing as a principle. Patient cost-sharing is widely regarded as anti-inflationary, but is strongly opposed by labor. Although we could sidestep the question in the statement of principles, sooner or later we will have to confront labor on this.

There is general agreement that we must include cost-sharing in our ultimate NHI plan. Including it in the principles will help prevent critics from placing a \$60 billion price tag on the plan. Even labor's opposition to a cost-sharing principle may have advantages; it will demonstrate that we are acting independently on NHI. Secretary Califano agrees with this approach.

5. As Secretary Califano notes in his cover memo, we also need your guidance on the nature of our contacts with organized labor and other interest groups before the principles are announced, the date and form of the announcement, and the NHI schedule for the rest of the year.

6. Secretary Califano wanted the opportunity to discuss with you the basic choices on principles that you will soon need to make. However, Charlie Schultze and Secretary Blumenthal have strong opinions on this issue and requested postponing the meeting until they could be present. Because of their absence, I strongly recommend that you make no decisions on principles at this meeting. We will schedule a follow-up meeting on principles with all of your key NHI advisers in the near future.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *JTM*
Charlie Schultze *CS 4/27*

SUBJECT: Principles of the National Health Plan

During your June 1 meeting on health budget issues, you asked your advisers to submit principles that could be used to guide the development of a National Health Plan. In the current climate of concern over inflation, and in the wake of Proposition 13 and rising concern over tax burdens, it is even more important that we carefully weigh the potential program improvements of new Federal spending.

Announcement of a National Health Plan which could be construed as committing the Administration to a broad health insurance plan, without consideration of economic conditions, would seriously undermine the credibility of our economic policies.

We have developed principles that give equal emphasis to improving the health of the nation and cutting down inflationary health costs. At this time, the insurance portion of the NHP would be limited to the highest priority group of Americans -- those low-income persons without any health care protection. The first phase of the NHP would also include strong cost containment measures and efforts to reduce the incidence of illness and injury.

The attached set of principles meets your campaign commitment to pursue a health policy that will improve the health of the American people and would ultimately provide comprehensive health insurance to all.

We do not believe that the statement of principles needs to address the means of achieving cost containment, the States' role in administering health programs and specifics of an NHI benefit package. We are working on various options in each of these areas and will provide more detailed specifications if you wish.

Attachment

PRINCIPLES OF THE NATIONAL HEALTH PLAN

Goals of the National Health Plan

- (I) The health of the American people must be improved. We must direct our resources toward those activities that will lead to the greatest improvements in health status.
- (II) No American should face the threat of financial ruin due to catastrophic illness, and no American should be denied access to essential health care because of insufficient income.
- (III) We must ensure that any steps we take to improve the nation's health status do not worsen our serious problems of unemployment and inflation. In particular, we must address the serious inflation problem in the health sector.
- (IV) The nation's system for delivering health services must be improved. More equitable distribution and more efficient use of health resources are needed.

Guidelines for the Federal Health Role

- We must make certain at each step of the way that our efforts to improve the nation's health are consistent with responsible policies to manage the budget and the economy.
- The national health plan will cut across many Federal programs. We must integrate it with welfare reform and other social programs. We must also ensure that environmental, health and safety hazards are reduced at the lowest possible cost to industry.
- The Federal Government cannot bear the burden of a national health program alone. State governments, the private health sector, employers and individuals should participate in cost containment measures and in the administration and financing of national health insurance.
- NHI and other programs should be implemented as rapidly as the nation can afford them. Those who need help most should be served first, and coverage should be expanded as budget resources and economic conditions permit.

PRINCIPLES OF THE NATIONAL HEALTH PLAN

The Administration is committed to a national health policy that has NHI as a central component. Individuals, employers, the private health sector, and State authorities, as well as the Federal Government, all have significant roles in carrying out such a policy. Accordingly, this discussion focuses first on the goals we as a nation must strive to achieve and then outlines guidelines for Federal Government activity to meet these goals.

Goals of the National Health Plan

- (I) The health of the American people must be improved. We must direct our resources toward those activities that will lead to the greatest improvements in health status.

Over the last quarter of a century, the major indicators of the health status of the U.S. population, such as average life expectancy or infant and general mortality rates, have improved substantially. However, those indicators in the United States still compare unfavorably with most other industrial nations. Death and disability rates are increasing for chronic and degenerative diseases, such as cirrhosis of the liver and cancer. Health problems for which prevention, treatment and cures are unknown or little affected by traditional medical practices also are increasing. There is, therefore, a clear need to improve the health status of the American people.

Major advances in the health of Americans have resulted in the past from Federal activities, including public health programs, health-related research, nutrition programs, other safety and health programs, and Medicare and Medicaid. Significant improvements in health status are more likely to result from improvements in the environment and changes in lifestyle than from increased insurance. Therefore, our national health plan, beginning with the 1980 legislative package, should redirect our efforts toward those activities that are most likely to reduce illness and injury.

- (II) No American should face the threat of financial ruin due to catastrophic illness, and no American should be denied access to essential health care because of insufficient income.

Substantial progress toward this goal already has been made, in large measure due to the advent in 1966 of Medicare and Medicaid. HEW estimates that today 90 percent of the population is covered by public or private health insurance. In addition, millions of Americans have access to care through programs that provide free or low-cost services at Federal, State and local health facilities.

However, a relatively small proportion of the population still is inadequately insured and too poor to afford necessary medical services. Our first priority in the national health program must be to address the needs of these people.

There is also clear need to ensure that adequate insurance against catastrophic medical expenses is available to all Americans. You should be aware, however, that no NHI plan now under consideration would cover long-term care, the most frequent catastrophic health-related expense.

The national health insurance program will be the major legislative initiative of your national health plan.

(III): We must ensure that any steps we take to improve the nation's health status do not worsen our serious problems of unemployment and inflation. In particular, we must address the serious inflation problem in the health sector.

Any NHI program will significantly challenge the Administration's ability to manage the economy. The announcement of an NHI initiative could undermine our recent efforts to develop a credible, coherent economic policy unless the public is convinced that the program will not imperil your ability to recommend sound budgetary and economic policies in the future. If implemented, a major new health plan could place inflationary demands on the health sector of the economy. If financed through payroll taxes or employer premiums, it would also contribute directly to rising costs and prices. Moreover, premium financing of any health insurance program would disproportionately raise the cost of hiring low-wage workers, thus aggravating structural unemployment. In designing the national health plan, and in presenting it to the public, we must place top priority on avoiding these serious problems.

The nation has made little, if any, progress in containing national health care costs. Between 1965 and 1977 national expenditures for health care have grown from 5.1 percent (\$33 billion) to 8.8 percent (\$163 billion) of GNP. Health care prices and costs have increased more than the CPI, with growth in the hospital category exceeding all other health expenditure items. To date, progress in controlling costs has been made only in a few States that have held hospital revenues down because of their interest in containing State Medicaid expenses.

Administration legislation now before the Congress would limit increases in hospital revenues nationally. Containment of costs in the rest of the health sector must be an integral part of a national health program.

- (IV) The nation's system for delivering health services must be improved. More equitable distribution and more efficient use of health resources are needed.

A major problem currently facing the nation is the maldistribution of health resources. We must deal with the fact that some people are deprived of needed care because they live in medically underserved areas. We need innovative forms of health care delivery, such as HMOs, and measures designed to reduce waste from current health industry practices that encourage inefficiency and unnecessary use of health services and facilities.

Many reforms of the health care system are possible under existing Federal law, and HEW already has undertaken many of these improvements within a variety of programs. These efforts and others should be continued and accelerated in the early phases of the national health plan.

Guidelines for the Federal Health Role

We believe that the Federal role in the health system should be held to the minimum necessary to achieve our objectives. We need to hold down the size of the Federal bureaucracy, to achieve efficient use of Federal resources, to minimize Federal interference with the activities of individuals, and the private economy and to encourage competition in the health system. Finally, the public must be convinced that the Administration continues to keep uppermost in mind its responsibility to manage the economy well. The following guidelines spell out our views on the limits of the Federal health role:

- We must make certain at each step of the way that our efforts to improve the nation's health are consistent with responsible policies to manage the budget and the economy.

We believe that the Administration should be looking to more restrictive Federal budget policies over the next few years as the nation approaches high employment. This means that budget resources for new initiatives will be severely limited. Therefore, any increased spending for NHI will deny budget resources to programs with competing priorities.

In the overview of the 1980 budget, you were presented with projections of an \$8 billion Federal deficit in FY 1982. If we are not to foreclose the possibility of balancing the budget in a high employment economy in 1982 -- and we believe we should not do so -- any major new health initiative will need to be financed through increases in general tax revenues or in dedicated payroll taxes. Any tax increase will be difficult politically, but we believe that the credibility of the Administration's economic program requires that our national health proposals be accompanied by a clear indication of the manner in which they will be financed.

- The national health plan will cut across many Federal programs. We must integrate it with welfare reform and other social programs. We must also ensure that environmental, health and safety hazards are reduced at the lowest possible cost to industry.

To the extent that the national health plan attempts to target medical care to the poor, it must be integrated with other Federal income transfer programs in order to avoid adverse work incentives, waste and inefficiency. Federal efforts to regulate environmental, health and safety hazards impose significant costs on the private sector of the economy. Those regulations should be implemented in a cost effective manner.

- The Federal Government cannot bear the burden of a national health program alone. State governments, the private health sector, employers and individuals should participate in cost containment measures and in the administration and financing of national health insurance.

If the Federal intrusion into the health sector of the economy is to be held to a minimum, the national health program must lean heavily on the private sector to achieve our objectives.

The role of the individual is crucial. Individuals should retain the basic right and responsibility to secure quality medical care at reasonable cost. To give individuals the incentive to do so, we believe they should share in the cost of insurance and medical care. Although organized labor will oppose such a move, we believe competitive pressures induced by cost sharing are essential to holding down total health spending and Federal costs, and to minimizing waste under NHI. HEW has incorporated cost sharing for the nonpoor into both its target and broad approaches to NHI.

Effective control over health care costs requires additional mechanisms. Among the alternatives that could be considered are the reduction of barriers to privately negotiated fee schedules and reimbursement standards, implementation of cost control measures by State and local authorities, or direct Federal regulation of fee schedules and other aspects of the health care delivery system.

Our preference is to hold the Federal regulatory role to a minimum, and to rely to the greatest extent possible on competitive forces to control costs. You should not foreclose your options for specific cost control mechanisms until your advisers have fully assessed the alternative means available.

Implementation of the National Health Plan

- NHI and other programs should be implemented as rapidly as the nation can afford them. Those who need help most should be served first, and coverage should be expanded as budget resources and economic conditions permit.

This guideline, which is based on your April 1976 speech on health policy, would be the essential statement of your decision on the phasing of NHI. In your announcement, you can identify the elements of the legislation you will seek now to meet the most vital health needs of the nation. These include:

- o Improving our efforts to prevent illness and injury through research, consumer education, and a better distribution of health resources.
- o Enacting hospital cost containment legislation that limits the soaring costs of hospital care, and beginning to reduce health care costs elsewhere in the economy through measures that rely on the forces of private competition and on Federal, State and local control over the health care system.
- o Providing essential medical care to millions of Americans living below the poverty line who currently do not receive such care.
- o Establishing a program of catastrophic health insurance. To ensure that the cost of these benefits is manageable, however, catastrophic coverage should not take effect until after general measures to contain health care costs have taken effect.

We can move toward expanded benefits for all Americans through later legislation. The ultimate goal of a comprehensive and universal health system can be realized only in stages, as we regain better control over health costs, and as the resources of the budget and of the economy permit.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

June 14, 1978

MEMORANDUM FOR THE PRESIDENT

FROM JOE CALIFANO *[Signature]*

SUBJECT: PRINCIPLES FOR THE NATIONAL HEALTH PROGRAM

Several weeks ago, we briefed you on the basic decision you face in the development of a national health insurance component of a national health program: Whether we should adopt a broad approach that provides both basic health services and protection against catastrophic illness to all Americans or a targeted approach that provides both basic and catastrophic protection to the poor and catastrophic protection to all other Americans.

At that briefing, you asked that Stu and I discuss draft NHI principles with you. Attached are materials for that meeting:

- (1) Draft principles that assume you decide to move forward with a broad approach to the national health insurance component of a national health program, including a principle on patient cost-sharing that raises questions of strategy regarding our negotiations with organized labor. Tab A.
- (2) The principles from your Student National Medical Association speech. Tab B.
- (3) Modifications of the "broad" principles to reflect a decision to adopt a targeted approach. Tab C.
- (4) A very brief paper that tentatively responds to some of the questions you raised at the briefing. It sketches in very broad strokes how a national health program will effect changes in access to health care, health status, financial protection, cost control and system reform and how incremental dollars could be spent to achieve high priority goals first. Tab D.

Although we have reviewed some staff suggestions from your economic and budgetary advisors, neither the "broad" nor the "targeted" draft principles have been approved by OMB, CEA, Treasury, or Commerce.

These draft principles are thus presented to you at this time as a vehicle for obtaining your tentative guidance before further refinement. Not only do we need your comments on the principles, but we also need your thoughts on: any additional participation by members of the Executive Branch before principles are announced; the nature of our contact with organized labor before the principles are announced; the date and form of the announcement; and the NHI schedule for the rest of this year. We will be prepared to make suggestions to you on these subjects at the meeting.

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Draft Principles: Broad Approach

Introduction

National Health Insurance must be an integral part of a broad National Health Program.

Today, health care is the nation's third largest industry. The health care system, while providing quality care to millions of Americans, is also plagued by serious problems. Millions do not have access to adequate health care. Major illnesses exact a heavy financial toll on American families. Our health care policies emphasize acute care for illness rather than preventive measures to promote health. Health care costs are raging out of control and consuming an ever larger share of public and private resources. And the economic incentives in the health industry are improperly structured so that they foster waste not competition and efficiency.

We must solve these pressing national problems in order to achieve our basic goal: improving the health of all Americans by providing quality health care at a reasonable cost and by emphasizing preventive health in all sectors of American life. National health insurance will play a major role in achieving the objectives of a National Health Program.

Comprehensive, Universal, and Mandatory Coverage

1. All Americans have a fundamental right to basic health care and to protection against the financial ruin that catastrophic medical expenses can cause.

Today, however:

- More than 42 million Americans -- including 30 million Americans above the poverty line -- do not have adequate health insurance covering such basic services as short-term hospitalization, physicians' services, laboratory tests, and x-rays. Of these 42 million Americans, some 24 million have no insurance at all, and some 18 million have inadequate insurance.

- Approximately 88 million Americans -- 40 percent of the population -- have inadequate protection against extremely large medical expenses, such as those associated with intensive care and extended hospitalization.

2. Health insurance provided by a national health program should be comprehensive, mandatory and universal -- guaranteeing all Americans needed coverage for both basic and catastrophic health services.

- For those unable to pay or able to pay only in part, we must ensure that they receive the basic health services that every American citizen needs, at a minimum, to improve health and combat illness.
- For those facing catastrophic illness, we must provide financial protection against the enormous expenses that attend prolonged illness and that can deplete or exhaust precious family resources.

Quality of Care

3. A national health insurance plan that is part of a national health program should maintain the high quality of care that is present in many segments of our nation's health system and, where needed, should improve the quality of care received by patients.

4. Personal relationships between patients and their physicians should be preserved; individuals should have freedom of choice in the selection of physicians or health delivery systems.

5. There should be national standards regarding levels of care, levels of payment and reviews to ensure quality to underscore that our concern is with the dignity and health of individuals, not their wealth or income.

National Health Insurance and Inflation

6. A national health program must seek, as a primary purpose, to bring the spiraling costs of health care into line with what the nation can afford in fiscal and budgetary terms. This nation can no longer afford the health care system as presently structured, with its out-of-control prices and its perverse incentives that favor waste over efficiency.

7. Under a national health program, Americans should receive health care services at a lower cost per service than they would have to pay if the present, wasteful system were perpetuated.

8. Under a national health program, total health spending --both public and private -- for the same services provided to the American people today should be lower, in real terms, than if the present, wasteful system were perpetuated. Additional spending should not feed inflation of the cost of the services provided today but should instead be used:

- to extend coverage to those who do not have it or
- to expand benefits for those with inadequate coverage.

9. Over time, the money saved by reducing the inflation in health costs should substantially pay for the cost of providing additional services to those Americans currently without adequate care.

Competition, Efficiency and Cost Controls

10. A national health program must use a combination of measures to restrain skyrocketing health costs while assuring quality of care. These include: new financial incentives to hold costs down, increased competition, and strong and effective cost containment measures. The plan must contain effective cost controls and restructure the wasteful incentives of the present health care system.

11. A national health program must end inflationary, after-the-fact cost plus payments and set clearly -- in advance -- the rates paid to hospitals, other health institutions, and physicians.

12. The program must curtail current wasteful practices through, among other techniques:

- strengthened planning efforts that eliminate construction of expensive health facilities in areas where they are not needed;
- more effective review programs to prevent excessive use of health care services;
- the use of budgeting techniques that penalize those whose fail to operate efficiently.

Financing of the Program

13. Current support for health insurance and health services -- by Federal, State and local government and by employers -- should be maintained. Additional revenue to pay for better coverage will come primarily from employer/employee payments and from Federal revenues.

14. The comprehensive insurance coverage provided by a national health program must pay most -- but may not pay all -- of the expenses of basic and catastrophic health services. Direct payments by patients for medical services should not, however, exceed an individual's ability to pay. Individuals and employers will, of course, be free to purchase additional insurance beyond coverage provided by the national health insurance program.

Administration of the Program

15. Comprehensive health insurance for all Americans should be provided by a combination of public insurance, private insurance, and prepaid group health plans.

16. A national health program must seek to eliminate the current "two-class" health system -- in which the poor frequently receive substandard care. Everyone should receive quality care whether covered through private insurance, public insurance or prepaid group health plans.

17. Consumers must participate actively in the development and administration of a national health program.

Reform of the Health Care Industry

18. A national health program must provide resources and develop payment methods to encourage major changes in the health care industry, such as:

- substantially increasing preventive services;
- attracting personnel and establishing primary care clinics in rural and urban areas that are badly underserved;
- training more family practitioners and fewer specialists;
- increasing the use of nurse practitioners, midwives, and physician assistants; and

- encouraging use of full-service health centers or pre-paid health plans.

Phasing of the Program

19. New services and coverage must be phased in carefully, as our national resources allow, with preventive services and those who need quality care the most receiving priority consideration. The first phases will include strong incentives and controls to reduce costs, as well as measures to make needed changes in the health care industry.

20. To the extent feasible, phases of a national health insurance plan extending coverage or increasing benefits to all Americans should be designed to coincide with implementation of measures designed to reduce health care costs and increase health system efficiency.

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The principles set out in your April, 1976 speech to the Student National Medical Association were:

- Coverage must be universal and mandatory. Every citizen must be entitled to the same level of comprehensive benefits.
- We must reduce barriers to early and preventive care in order to lower the need for hospitalization.
- Benefits should be insured by a combination of resources: employer and employee shared payroll taxes, and general tax revenues. As President, I would want to give our people the most rapid movement in individual health care the nation can afford, accommodating first those who need it most, with the understanding that it will be a comprehensive program in the end.
- Uniform standards and levels of quality and payment must be approved for the nation as part of national health planning. Incentives for reforms in the health care delivery system and for increased productivity must be developed.
- We must have strong and clear built-in cost and quality controls. Necessary machinery for monitoring the quality of care must be established.
- Rates for institutional care and physician services should be set in advance, prospectively.
- Maximum personal interrelationships between patients and their physicians should be preserved; freedom of choice in the selection of a physician and treatment center will always be maintained.
- Consumer representation in the development and administration of the health program should be assured.
- National priorities of need and feasibility should determine the stages of the system's implementation. While public officials have continued to dispute whether coverage should be catastrophic at first or comprehensive immediately, the system has become a comprehensive catastrophe. We must achieve all that is practical while we strive for what is ideal, taking intelligent steps to make adequate health services a right for all our people.

- A basic concern shall be for the dignity of the person, not for the individual's wealth or income.
- Incentives for the reorganization of the delivery of health care must be built into the payment mechanism.
- We must have resources set aside to encourage development of alternative approaches and to spur new distribution of health personnel

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Draft Principles: Targeted Approach

Many of the principles that you might announce if you choose the broad approach are applicable if you decide to follow a targeted approach.

Modifications of the draft "broad" principles set out in Tab A in order to fit a "targeted" approach are set out below.

Coverage

(1) In its first stages, national health insurance should ensure that all Americans are protected against the financial ruin that catastrophic medical expenses can cause and that all of our nation's poor citizens receive basic health care.

(2) Ultimately, when resources permit, national health insurance provided as part of a national health program should be comprehensive, mandatory and universal -- guaranteeing all Americans needed coverage for both basic and catastrophic health services.

Quality of Care

/Same as in comprehensive approach./

National Health Insurance and Inflation

/Principles 6 through 9 ought to, in theory, to remain the same, but our ability to enact a program that will fulfill on these promises will be reduced under a targeted approach./

Competition, Efficiency and Controls

/Principles 10 and 11 would remain the same, but principle 12 would have to delete a reference to "the use of budgeting techniques" which would not be possible under a targeted approach that only provided protection against catastrophic expenses to the population above the poverty line./

Financing of the Program

/Principle 3 would have to be amended to eliminate the reference to the possibility of obtaining additional revenue for a national health program from "employer/employee payments". New revenue sources would be limited to Federal revenues -- unless the targeted plan uses mandated employer premiums to finance catastrophic insurance coverage./

/Principle 14 would be eliminated./

Administration of the Program

/Principle 15 would have to be rewritten as follows:/

15. Comprehensive health insurance for the poor should be provided by public insurance, while catastrophic protection for all Americans should be provided either by public insurance or private insurance coverage.

/The second sentence of Principle 16 would be eliminated/.

/Principle 17 on consumer representation would remain the same./

Reform of the Health Care Industry

/Principle 18 would remain the same, but a targeted approach to national health insurance is likely to provide only limited leverage to accomplish these goals./

Phasing of the Program

/Principle 19, which simply establishes the need to phase in benefits, would remain the same.

But Principle 20 would change, as follows:

20. Once economic conditions permit, later phases of a national health insurance plan should extend coverage for basic health benefits to all Americans. We will introduce legislation extending basic health coverage to all Americans after measures designed to reduce health care costs and to increase the efficiency of the health care system have proved themselves effective.

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NATIONAL HEALTH INSURANCE:
GOALS AND PRIORITIES FOR PHASING

At the June 1, 1978 briefing on National Health Insurance options, a number of questions arose. Two of the most salient were:

First, with what degree of certainty could we state that National Health Insurance would accomplish its four major goals: increase access, improve health status, provide financial protection and institute cost control and other system reforms?

Second, assuming that we chose to spend new monies in increments, what are the priority areas for additional expenditures?

This staff draft attempts to answer those questions in a summary fashion in order to provide a quick overview. More detailed analyses are being prepared for use when principles are announced or a tentative plan unveiled.

I. A Preliminary Word on Costs

Cost estimating in National Health Insurance is a complex subject that should be approached with caution. There are three distinct problems that should be kept in view.

● Estimates in General. Cost estimation in the health area is difficult because there is an inadequate data base and because the methodology is still crude. For example, it is no easy matter to predict patterns of medical care utilization under an NHI plan and without such a plan (or under alternative plans). Similarly, the precise impacts on health status of changes in access to care and in availability of preventive services can only be estimated in the roughest terms at this point. Thus, all estimates are tentative. But we should not expect that the state of the estimating art is going to improve dramatically in the next few years.

● Cost/Benefit Analysis. Certain simple health services can be subjected to cost/benefit analysis. For example, studies of the benefits of polio vaccines indicate a nine-fold saving over the cost of vaccinating a child. But as diseases become more complex, the cost of treatment more

variable, and the age of the patient older - (to name just a few factors - (such analysis becomes significantly more difficult. Additional difficulties include: data on health indices among population subgroups are often inadequate; many health outcomes are subjective (the relief of pain or anxiety); the science of detecting changes in the health of population groups is very imperfect; improvements in health occur over extended periods of time; and many different factors contribute to good health (good food, exercise, clean environment) making isolation of any single factor difficult.

● Cost Controls. As has been noted in other submissions to the President, our present cost estimates do not include any savings from cost containment, increased competition or other system reforms. We expect significant cost reductions from these measures, but estimating the size of potential savings will be complex. While we have the ability to estimate the effects of direct cost containment measures affecting hospital and physician payments, we will need to judge carefully what Congress will enact. The magnitude of more indirect cost containment measures -- for example, hospitalization would be reduced if insurance provided for out-of-hospital-treatment for certain forms of drug therapy -- are harder to predict. To the extent possible, our final cost estimates will include an analysis of such savings.

II. The Goals of A National Health Insurance Component of the Administration's National Health Program.

A. Access

- Catastrophic Protection. Very rough estimates indicate that 88 million Americans do not have adequate protection against the expenses of catastrophic illness. While our data do not, at present, allow a sophisticated breakdown of the sociological characteristics of this group, we do know that under both a targeted approach and a broad approach, we will provide millions of Americans with catastrophic protection.
- Basic Health Services. At present, 24 million Americans have no health insurance to provide protection against the expenses of basic health services (short-term hospitalization, physician services, X-rays and laboratory services). Table 1 gives a breakdown of those individuals by income level, race, rural/urban split, region and employment status.

At present, some 18 million do not have adequate insurance coverage for basic health services. Table 2 breaks out those with no insurance and those with inadequate insurance by race and income level. (We cannot yet replicate Table 1 for those with inadequate insurance.)

- Under the targeted plan, we can confidently say that approximately 13 million individuals below or near the poverty line -- with no insurance or inadequate insurance -- will have access to basic health services.
- Under the broad approach, an additional 30 million individuals will have access to basic health services.

A large proportion of the 30 million group covered only by a broad approach are in the \$7-15,000 income range.

TABLE 1: Number of persons and percent of the population without health insurance, 1976

	Number (in millions)	Percent of Relevant Populations
Total	24.0	11.4%
<u>Income Level</u>		
Less than poverty level	8.0	33.1
Near poor (1-1.25 times poverty)	2.6	24.1
Near poor to \$15,000	8.2	10.0
\$15,000 and above	5.2	5.5
<u>Race</u>		
White	18.7	10.2
All Other	5.3	19.0
<u>Residence</u>		
<u>SMSA</u>	<u>15.0</u>	<u>10.3</u>
Poverty area	3.9	23.5
Nonpoverty area	11.0	8.6
<u>Not SMSA</u>	<u>9.0</u>	<u>13.6</u>
Poverty area	4.5	19.8
Nonpoverty area	4.5	10.3
<u>Regions*</u>		
Northeast	4.1	8.4
North Central	4.7	8.4
South	10.0	14.7
West	5.3	13.8
<u>Head of Family</u>		
<u>Employment Status (all family members)</u>		
Currently employed full time	13.6	9.5
Currently unemployed	2.3	32.9
Not in labor force	5.5	17.2

SOURCE: Bureau of Census, Survey of Income and Education, Unpublished Tabulations.

* Data from Health Interview Survey, unpublished tabulations

TABLE II: Number of Individuals with no insurance or inadequate insurance, 1976 (in millions)

	Total	White	Black	Spanish Origin
<u>No Insurance or Inadequate</u>				
Total	<u>42.0</u>	<u>34.8</u>	<u>7.0</u>	<u>3.4</u>
Below Poverty	10.4	7.2	3.1	1.2
Above Poverty	31.6	27.6	3.9	2.2
Below \$15,000	19.0	16.0	3.0	1.6
Above \$15,000	12.6	11.6	6.9	0.6
<u>No Insurance</u>				
<u>Total</u>	<u>24.0</u>	<u>18.7</u>	<u>5.3</u>	<u>2.9</u>
Below Poverty	8.0	5.4	2.6	1.1
Above Poverty	16.0	13.3	2.7	1.8
Below \$15,000	10.8	8.7	2.1	1.4
Above \$15,000	5.2	4.6	0.6	0.4
<u>Inadequate Insurance</u>				
<u>Total</u>	<u>18.0</u>	<u>16.1</u>	<u>1.7</u>	<u>0.5</u>
Below Poverty	2.4	1.8	0.5	0.1
Above Poverty	15.6	14.3	1.2	0.4
Below \$15,000	8.2	7.3	0.9	0.2
Above \$15,000	7.4	7.0	0.3	0.2

SOURCE: Bureau of the Census, Survey of Income and Education, Unpublished Tabulations.

B. Health Status

We can confidently state the general proposition: For many who today receive little or no medical care when they need it, access to effective medical treatment will improve their health. Our experience with Medicaid and Medicare indicates that extending coverage to those who have inadequate protection can improve health status of the affected population.

Quantifying the effects on a community's health of the increased availability of health care services, however, is difficult. We are currently working with three sources of evidence.

- Historical correlation -- Between 1965 and 1974, infant mortality and maternal mortality in the United States fell by one-third -- largely due to dramatic declines in the mortality rates among women and children below the poverty line. This decline coincided with the introduction of substantially increased availability of medical services financed by the Medicaid program, but other developments during this period, such as changes in medical practice, could have contributed to this trend.
- Preventable death and disease -- We know that many deaths occur from conditions, such as tuberculosis, influenza and pneumonia, that can generally be prevented or cured with adequate medical care. HEW's health statisticians estimate, for example, that in 1976 there were more than 100,000 deaths in this country that medical care could have prevented. A disproportionate percentage of preventable death and disability occurs among those who today do not have adequate health care -- although these persons (e.g. migrants, poor, blacks) obviously suffer from other contributing factors.

- Severity of disease -- Health statistics show that patients without adequate access to medical services or without adequate health insurance coverage are admitted to hospitals with far more advanced stages of diseases and obtain diagnoses of diseases at much later stages (thus significantly lessening their survival rates) than those with consistent access to medical services.

These are relatively crude indicators. We are working to refine them but, again, problems exist both in methodology and regarding the data base.

Nonetheless, to the extent a broad or targeted approach provides increased protection -- especially protection for basic health services -- we can expect improvements in health status for the affected populations.

C. Financial Protection

A national health insurance proposal should provide desperately needed financial protection against the expense of medical care for lower income and lower middle income Americans who find their resources exhausted by very high -- and often unexpected -- medical bills. For seven million American families, this spector will become very real this year: uninsured medical expenses will exceed 15 percent of their income, at a total cost of about \$6.3 billion.

A broad national health insurance plan would, of course, also cushion the financial impact of medical expenses for millions of Americans whose expenses fall considerably below 15 percent of their income.

But perhaps even more important than the actual assistance that a national health insurance plan will provide to those Americans and their families who experience serious illness is the security that national health insurance will provide to the 88 million Americans currently without catastrophic protection who can plan and live their lives more securely because they know they are protected against major medical expenses.

But while 88 million Americans will receive financial security against catastrophic expenses under a targeted national health insurance plan and millions more, especially the poor and near poor, will receive protection for basic health services, we must recognize that, for millions of Americans who currently have both basic and catastrophic health insurance, a national health insurance plan has few benefits to offer them. A broad NHI

proposal may insure that their employer continues -- by law -- to make substantial contributions toward their health insurance; it may also improve the benefits they receive -- particularly for preventive or mental health services.

But for many Americans their employers will already be financing much or all of their health insurance, and their insurance will be as generous -- or even more generous -- than the benefits mandated by a national health insurance plan. For these Americans, the real question will be how the increased costs of providing health benefits to others will be financed. If tax increases become necessary, it is possible for these Americans to face increased tax burdens with little compensating benefits. At this time, without knowing the details of the alternatives or how it will be financed, it is impossible to estimate how many Americans will face increased burdens without compensating benefits.

On the other hand, every American, including those with excellent insurance, should benefit from the anti-inflationary effects of a national health program that allows us to reduce the runaway inflation in health care costs.

D. Cost Containment and System Reform

In the previous submissions to the President, the differences between the broad approach and the targeted approach were set out regarding the likelihood of effecting cost controls and system reforms. In essence, there are two basic points.

- Technical Feasibility. While the economic advisors argue that cost containment and system reform could be effected as companions to a targeted approach, HEW maintains that the leverage created in a broad plan by having a hold on the reimbursement mechanisms in the whole health care system makes these needed changes much more feasible, as a technical matter.
- Congressional Reaction. These reforms -- especially cost controls and increased competition -- will face strong political opposition. While the economic advisors argue that the political difficulties would be about the same regardless of approach, HEW maintaining that the politics of cost control and system reform would be less difficult with the broad approach because the extension of both basic health and catastrophic protection to all Americans would create pressure for passage of a major piece of legislation that included both extended coverage and cost controls/system reforms.

II. Phasing

The poor and those just above the poverty line represent those most in need, and we would begin with those groups -- believing that this money brings the most important payoff in terms of improved health.

In increments of about \$6-7 billion in 1980 dollars, phasing for a national health insurance plan that focuses on those most in need might be ordered as follows:

- (1) Expand current coverage under Medicaid (which includes both basic health and catastrophic coverage) to all poor and near poor families with children.

- (2) Expand comprehensive coverage to all aged and disabled below the poverty line.
- (3) Extend comprehensive coverage (both basic health and catastrophic protection) to all poor persons (primarily bringing in single individuals and childless couples presently not covered by Medicaid).
- (4) Provide protection against catastrophic expenses for the entire population.
- (5) Provide coverage for basic health expenses for all -- probably through mandated employer coverage of employees. (\$11-13 billion)

Politically, there will be substantial pressure to begin with catastrophic protection. There may also be pressure to include an item that is not likely to be part of a \$40 billion plan that follows the broad approach -- coverage for outpatient drugs.